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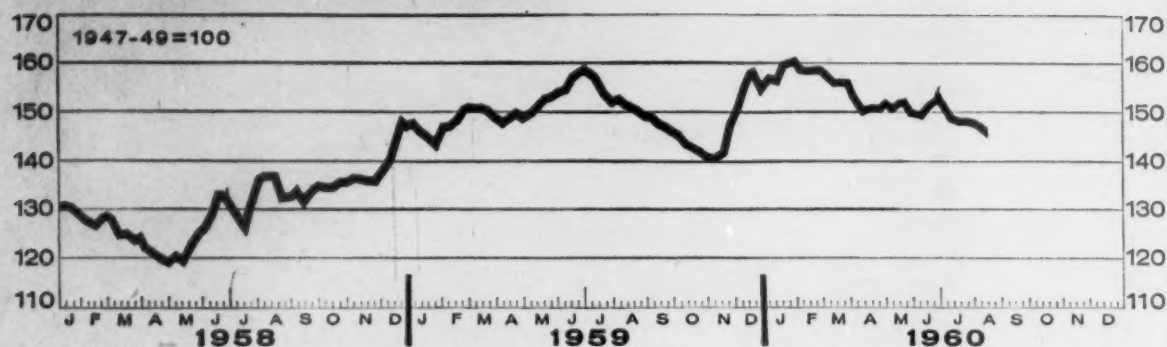
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NUMBER 1616
1

FIGURES of the WEEK



BUSINESS WEEK INDEX (chart)	1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
	133.3	151.6	148.8	147.4r	146.6*

PRODUCTION

Steel ingot (thous. of tons).....	2,032	321	1,550	1,525r	1,589
Automobiles	125,553	72,603	105,113	103,504r	84,155
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$63,906	\$101,135	\$78,441	\$75,744
Electric power (millions of kilowatt-hours).....	10,819	13,648	14,208	14,709	14,622
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	6,789	6,832	6,837	6,834
Bituminous coal (daily av., thous. of tons).....	1,455	1,134	776	1,372r	1,307
Paperboard (tons)	247,488	325,729	248,079	320,464	314,180

TRADE

Carloadings: mfrs., miscellaneous and L.C. (daily av., thous. of cars).....	70	54	61	54	53
Carloadings: all others (daily av., thous. of cars).....	47	35	40	48	46
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	131	108	122	128
Business failures (Dun & Bradstreet, number).....	198	269	258	269	308

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	92.5	91.1	90.8	91.2
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	78.3	78.8	78.2	77.7
Print cloth (spot and nearby, yd.).....	19.8¢	19.5¢	20.6¢	20.2¢	20.2¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.7	186.2	186.2	186.2
Scrap steel composite (Iron Age, ton).....	\$36.10	\$39.83	\$31.50	\$31.83	\$32.50
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.39¢	30.03¢	33.00¢	33.00¢	33.00¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	‡	23.77¢	24.00¢	24.00¢	24.00¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.00	\$1.89	\$1.91	\$1.93
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	31.90¢	31.98¢	30.85¢	30.67¢
Wool tops (Boston, lb.).....	\$1.96	\$1.95	\$1.67	\$1.65	\$1.64

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	58.90	55.64	55.55	56.62
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	5.09%	5.23%	5.13%	5.08%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	3½%	3½%	3½%	3½%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	‡	61,047	58,440	59,392r	58,967
Total loans and investments, reporting member banks.....	‡	103,398	105,547	105,148r	104,720
Commercial, industrial, and agricultural loans, reporting member banks....	‡	29,675	32,339	32,108r	32,074
U. S. gov't guaranteed obligations held, reporting member banks.....	‡	29,196	27,453	27,062	26,903
Total federal reserve credit outstanding.....	26,424	28,473	28,120	28,165	28,246

MONTHLY FIGURES OF THE WEEK

MONTHLY FIGURES OF THE WEEK		1953-55 Average	Year Ago	Month Ago	Latest Month
Personal income (seasonally adjusted, in billions).....	July.....	\$296.1	\$386.9	\$406.1	\$407.1
Farm income (seasonally adjusted, in billions).....	July.....	\$16.0	\$15.9	\$16.8	\$16.4
Bank debits (in billions).....	July.....	\$158.1	\$235.6	\$250.8	\$223.6
Wholesale prices (U. S. Dept. of Labor BLS, 1947-49 = 100).....	July.....	110.4	119.5	119.5	119.7

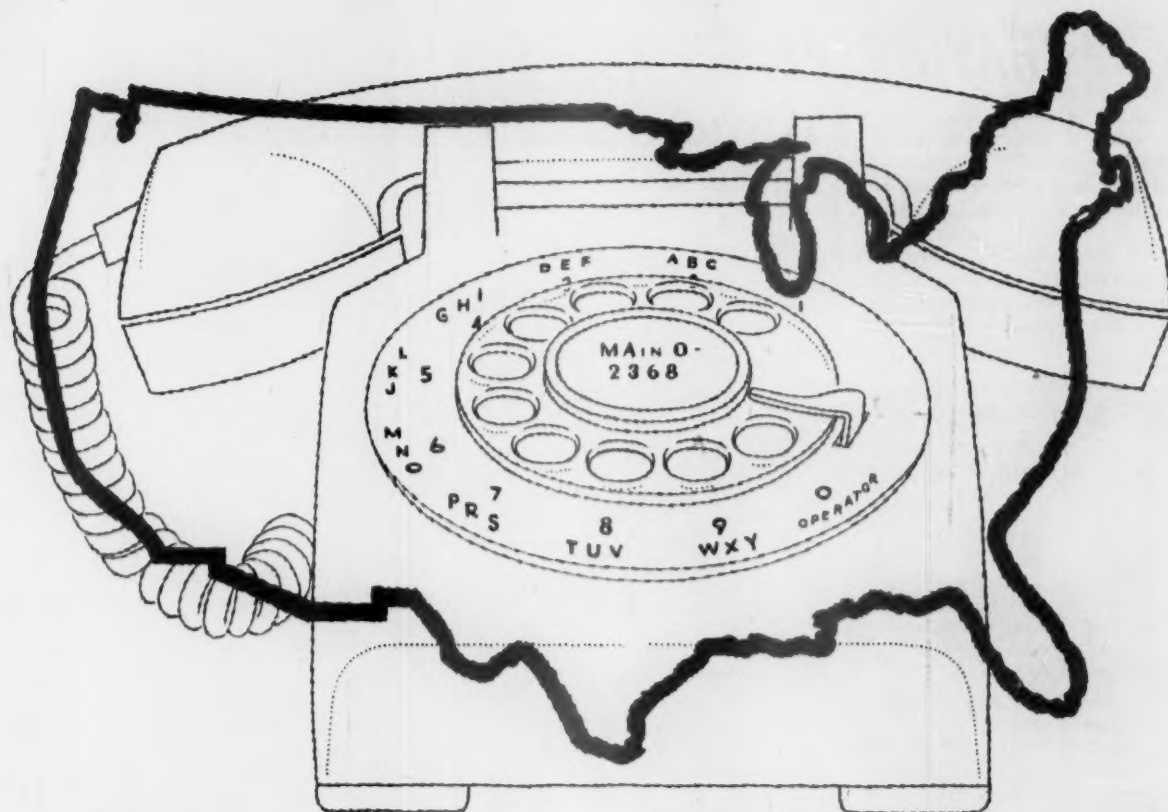
* Preliminary, week ended August 13, 1960.

‡ Not available.

r Revised.

‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Herb Kratochvil (miniature soldiers courtesy Cliff Arquette's Gettysburg museum); 25—(left) UPI, (middle) WW, (right) UPI; 26—(left) UPI, (right top) WW and NASA, (right middle) Dept. of Defense; 27—(top) WW, (middle) Dept. of Defense, (bottom) WW; 28—Pictorial Parade; 42, 45—Herb Kratochvil; 51—(top) Hamilton Standard; (bottom) Wells Fargo Inc.; 60—Tibor Hirsch; 61—(top) Jay Leviton, (bottom) Tibor Hirsch; 62—Herb Kratochvil; 64—United Artists; 60—McGraw-Hill Illus. Dept.; 72-73—Russell Melcher; 95—WW; 102—(top) Pictorial Parade, (bottom) WW.



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wire and radio channels, which
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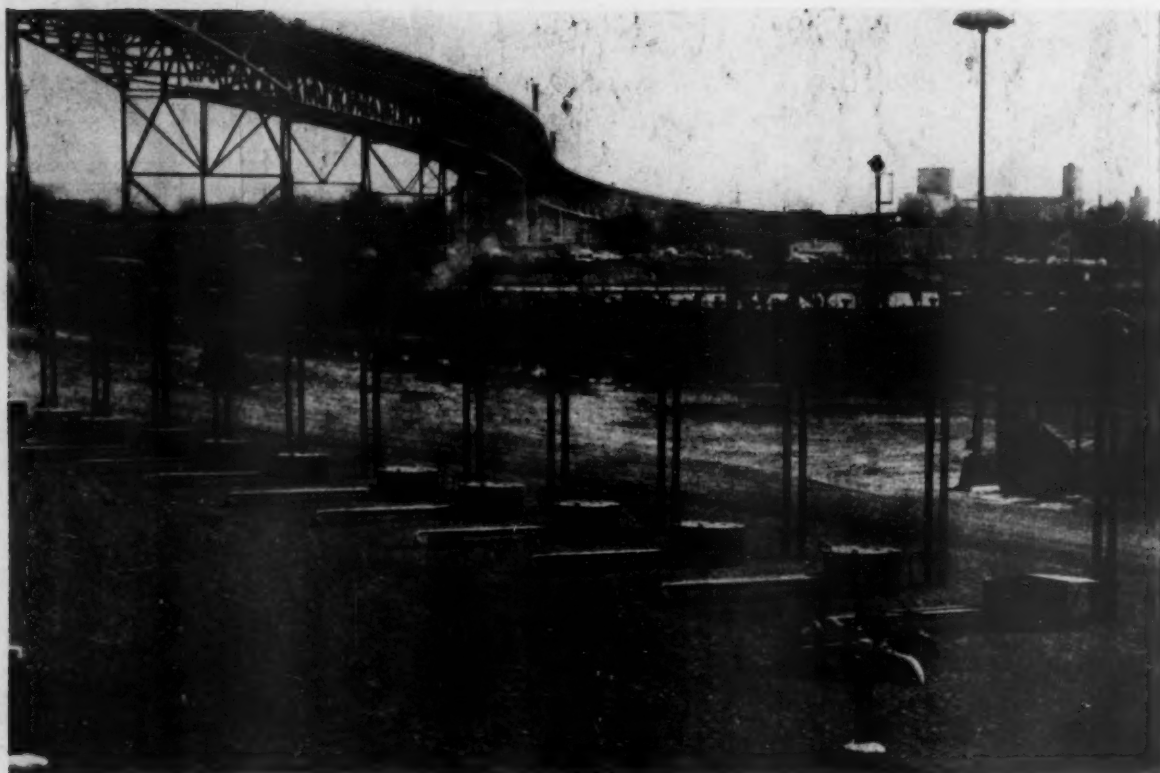


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BUSINESS WEEK • Aug. 20, 1960

READERS REPORT

Fine for Front Page

Dear Sir:

You made an error—a bad one—in putting the fine article, in The Trend, A Program for The Next Four Years [BW—Jul.30'60,p120], on the last page right up against the goal post. Should have been on a front page.

Anyhow, whoever did this job did a swell job of thinking and saying, and he deserves far more consideration than my paltry compliments.

R. J. HUGHES

CERTIFIED PUBLIC ACCOUNTANT
SHREVEPORT, LA.

Bryan Was Younger

Dear Sir:

BUSINESS WEEK's Democratic convention coverage [BW—Jul.16 '60,p25] was consummately well done from the BW reader's standpoint. But the lead falls into one small historical error:

Youthful as some may call him, Sen. Kennedy is some years older than the youngest man to win the Democratic nomination: In 1896, William Jennings Bryan won the first of his three nominations at the age of 36.

JOHN C. OTTINGER

DIRECTOR OF PUBLIC RELATIONS
WASSELL ORGANIZATION, INC.
WESTPORT, CONN.

Damages Ad Absurdum

Dear Sir:

I am surprised about the item Jury Links Smoking to Cancer, but Refuses to Award Damages [BW—Aug.6'60,p30]. It says therein that "smoking of three packs of Lucky Strikes a day for 32 years was at least one of the causes of the lung cancer." It continues (and this is the amazing part) "But the jury balked at awarding damages to Green's estate in the \$1.5-million suit, arguing that at the time when Green's cancer was discovered there wasn't enough evidence linking smoking and cancer to establish a breach of warranty by the manufacturer."

To my thinking there should not be any awarding damages even when the fact could clearly be established that the death was caused by cancer caused by smoking. Otherwise, every drunk addict, everybody overeating and dying from a heart attack caused by overeating, etc., etc., could sue the

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. . . [BW—Jun. 18'60, p140].

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aluminum window. . . .

E. C. SWANSON

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No Limit

Dear Sir:

I was pleased to read your article
India's Double Lure for the United
States [BW—Jul. 9'60, p100]. Arti-
cles of this kind are most welcome
at the moment.

It may be of interest to note
that the Indian government is not
so strict toward the degree of
foreign private capital participation
in investment. . . . The case of
Merck Co. of America is an ex-
ample where U. S. capital is more
than 50% of the total investment.
I therefore would suggest a cor-
rection in your statement saying
that 49% or less of U. S. partici-
pation in investment in India is a
legal limit. There is no legal
limit. . . .

JAIRAJ R. SOLOMON
NEW YORK, N. Y.

Too Often?

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often repeated practice of recom-
mending, in Personal Business,
books published by your own com-
pany.

I contend that by so doing you
prostitute whatever objectivity your
reporting possesses.

JONATHAN W. DODGE
NEW YORK, N. Y.

• Of 35 books mentioned in Per-
sonal Business so far in 1960, Mc-
Graw-Hill was the publisher of
two.

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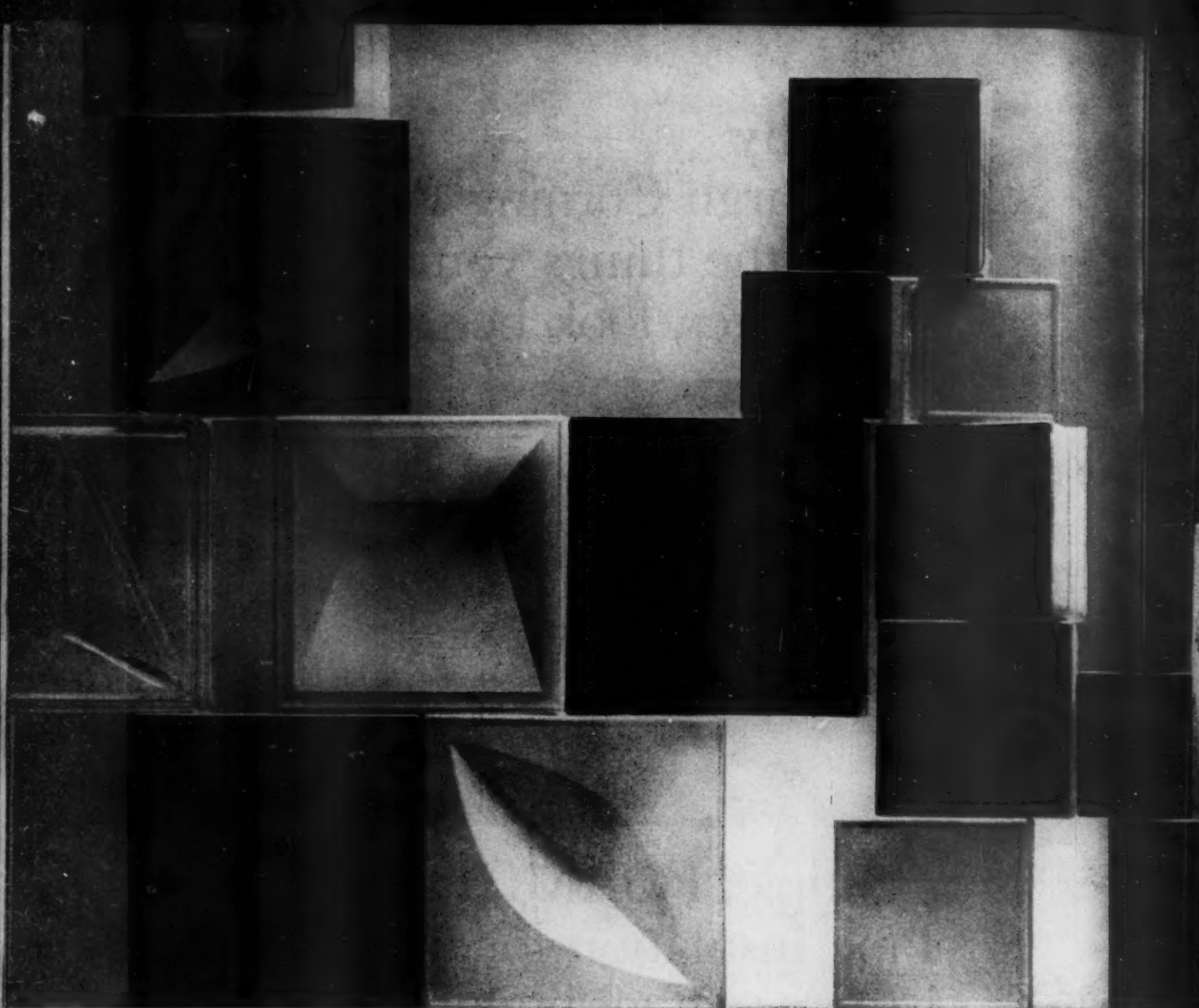
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(Continued)



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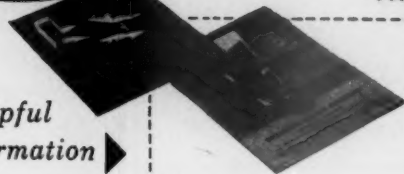
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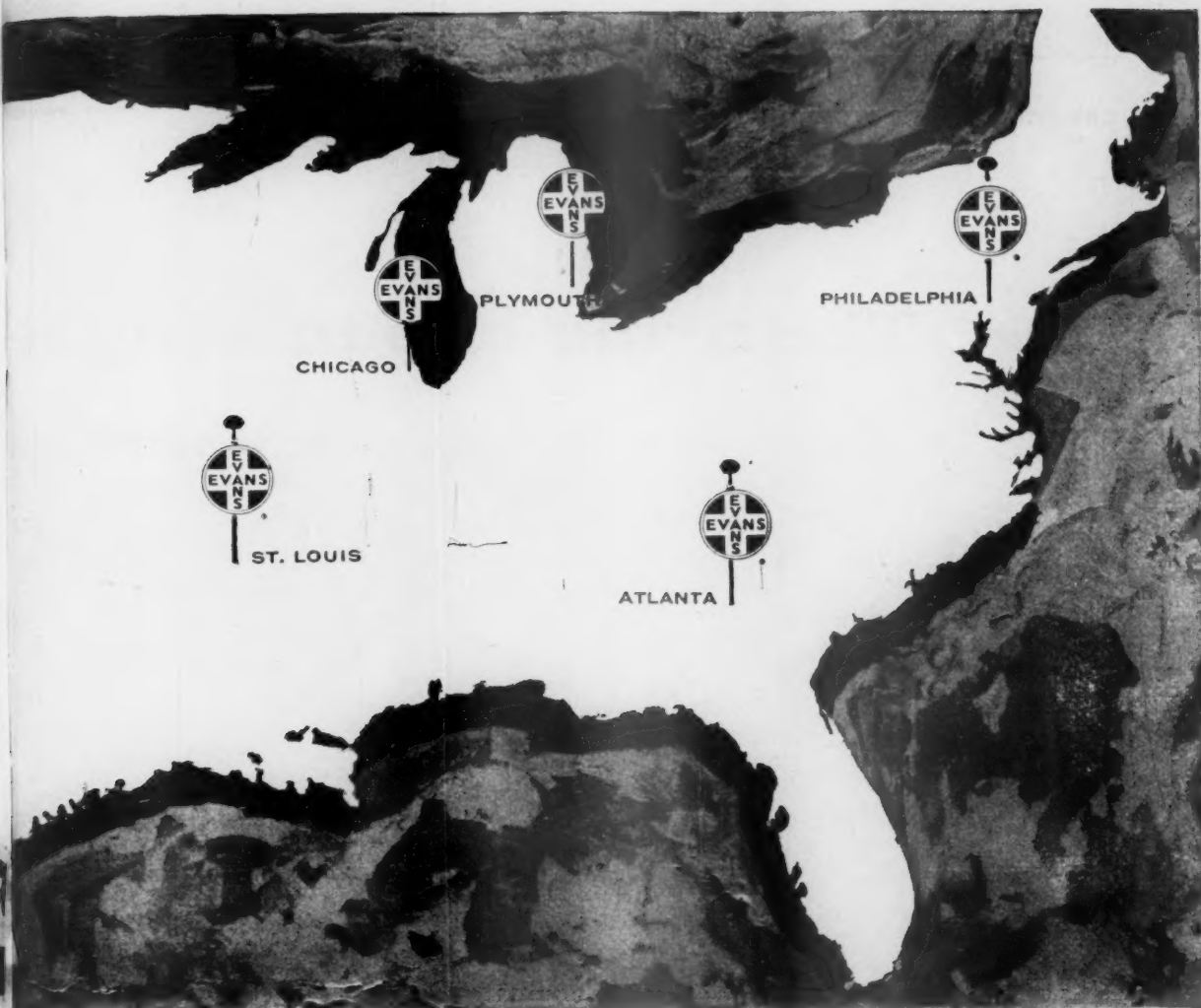
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Hughes was in the midst of a staggering electronics manufacturing assignment. Hughes had to *mass-produce* the most complex kind of electronic brain yet conceived—with literally thousands of miniature parts and delicate connections.

Yet, these brains had to be built to the highest standards of reliability, tight schedules had to be met and costs held down.

These challenges urged Hughes engineers to bold immediate solutions. First was the adoption of advanced computer techniques for production and inventory control.

This marked a major forward step—purchasing and inventory became virtually “exact sciences.” Each was integrated into the needs of production. Costs tumbled. Engineering changes could easily be made. And over-all efficiency soared.

Second was the development of the Videosonic system. Here, pictures and recorded voice instructions guide workers through each step of assembly. With the Videosonic system, an untrained housewife can practically train herself. In days she is competent to begin building complex electronics assemblies that took engineers months to design.

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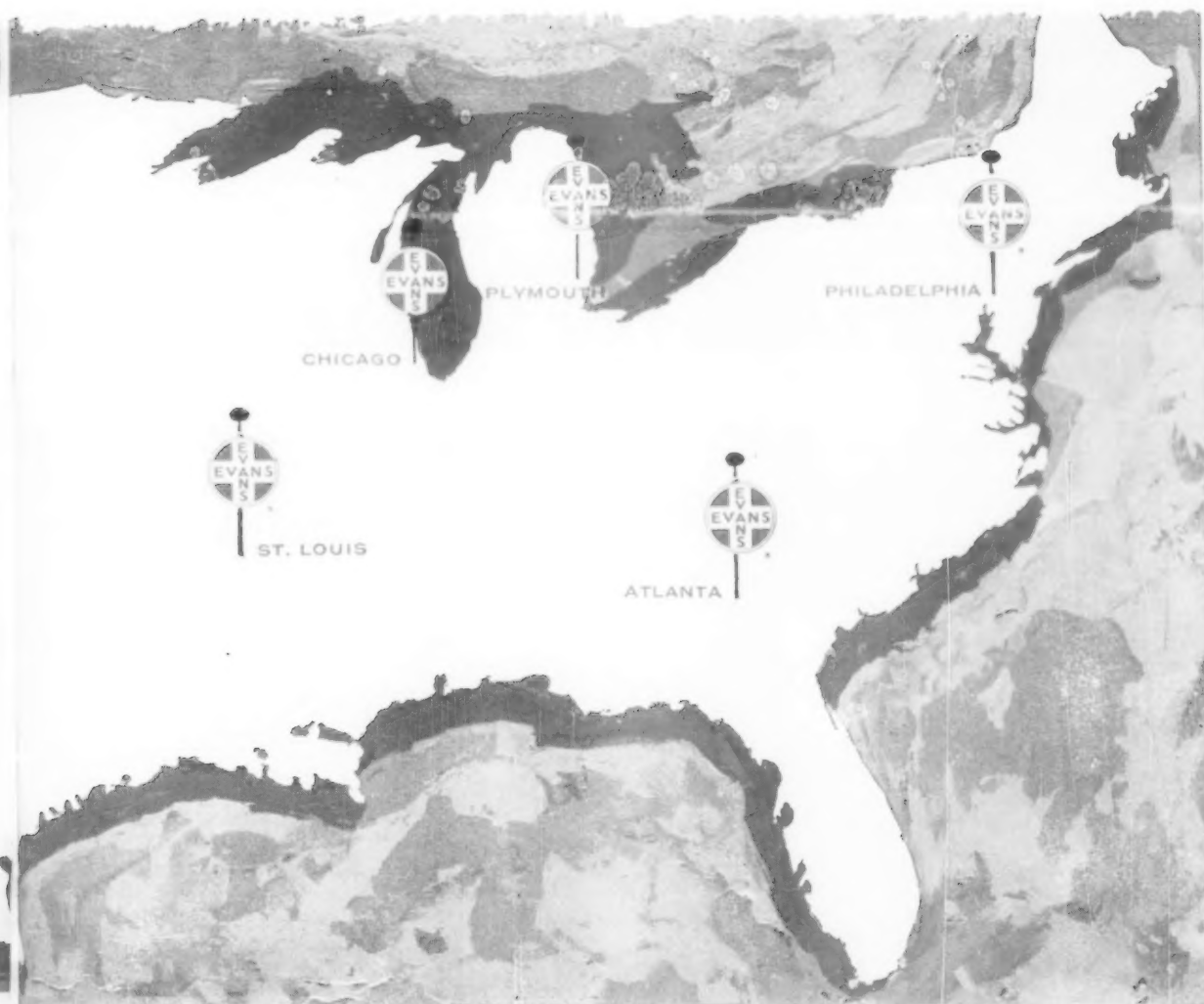
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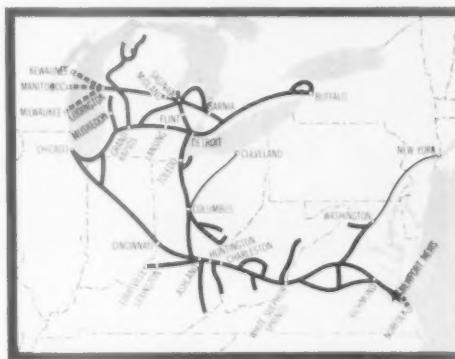
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BUSINESS OUTLOOK

BUSINESS WEEK

AUG. 20, 1960



Business held steady in July, as measured by the Federal Reserve Board's production index. That was a better-than-expected performance in view of steel's depression-deep dive.

But this still leaves an uncomfortable in-between feeling—with activity dragging and no signs yet of a real autumn pickup.

By now, some observers are beginning to wonder if just holding level is enough—whether this isn't tending to be self-defeating.

Business economizing, for example, could touch off contraction. And efforts to improve profit margins dictate some corner-cutting.

Making credit more plentiful, as the Federal Reserve has been doing (page 23), is welcome at a time like this.

Such action isn't an automatic stimulant, of course. But, with business actually running at a very high level, cheaper money has a better-than-average chance of tipping the balance.

The Fed isn't implying that business is in trouble, but neither is it unaware that a little help now may be a good thing.

—•—

Disappointment, almost discouragement, tinges business planning.

If it should develop that the same kind of thoughts were going through the minds of consumers, affecting their buying plans, the already touchy situation would begin to get sticky.

Those 1960 cars in dealers hands, for one thing, would be more of a problem than first was anticipated (BW—Jun.18'60,p30).

Consumer income has been sustained by record employment. And spending for softgoods has held at record levels for four months.

Nevertheless, retailers began to have qualms a good while back (BW—Jun.18'60,p35). Then came disquieting words on consumers' buying intentions in the University of Michigan survey (BW—Jul.9'60,p45).

Now the latest figures on durable goods sales look a bit sad.

Stores handling hardgoods are reported by the Dept. of Commerce to have had sales of just over \$5.8-billion in July (seasonally adjusted).

This was the third successive monthly decline, carrying the total nearly \$500-million below its April peak and \$350-million under a year ago.

Autos and automotive products, which fell a little behind in June, went substantially below a year ago in July. At the same time, appliances and furniture continued to lag year-ago levels.

Sales of new cars always are subject to a lot of questions at this time of year. Will dealers clear their floors of the old models, or will buyers wait to see the new models? If prices on 1960's are slashed, will it depress the used-car market? How will the 1961's be greeted?

Thus a dip of 4% in June volume from a year ago and more than 10% in July (for new and used cars, trucks, accessories, etc.) is a dingy backdrop for the 1960 cleanup and the oncoming sales year.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

AUG. 20, 1960

Consumers weren't exactly hoarding their money in July. Food purchases topped any other July by a wide margin and, in fact, erased the previous monthly record set last December.

But the fact remains that they seem to have been cautious about committing themselves for the expensive hardgoods items.

That's no help to metalworking industries trying to pare stocks.

Installment debt still is pretty much of a mystery, for all our experience with it, as it affects consumers' spending.

People are in deeper now than ever before—to the tune of \$41.4-billion. They're finding more things to buy on the cuff, with autos getting a smaller share than a few years ago (BW—Aug. 6'60, p11).

But are they in deeply enough so that it puts a rein on buying?

Annual repayments on installment loans recently have been taking a little more than \$46-billion. That's a new record—but, as repayments have gone up, the public's after-tax income has risen, too.

The repayments took 13.1% of disposable personal income in the second quarter. Maybe that's close to the critical point.

However, it's the same as in the third and fourth quarters last year, and about the same as in late 1956 and early 1957.

One thing you can be sure of if the 1961 auto year seems to be getting off to a slow start: Installment credit will get no small part of the blame—and there'll be a push for easier terms.

Whether factory employment rises normally over the remainder of this year—augmenting the income of this important group of consumers—will be an important factor in the well-being of the economy.

The number of jobs has been declining steadily in plants turning out durable goods; that's on a seasonally adjusted basis.

In July, they were employing 250,000 fewer people than just before the steel strike started last year.

By contrast with those turning out hardgoods, plants making soft-goods have been employing a few more people than last year—and their output in July was about 4% ahead of last summer.

How well steel comes back and the way autos sell (and the latter has much to do with the former) will be a big factor in the level of manufacturing employment and payrolls over the rest of the year.

Some improvement in the rate of homebuilding should certainly be expected as a result of easier credit (although it usually takes a little time for this to be translated into actual housing starts).

At this point, the supply of mortgage money is improving, but this has not as yet had any general effect on interest rates.

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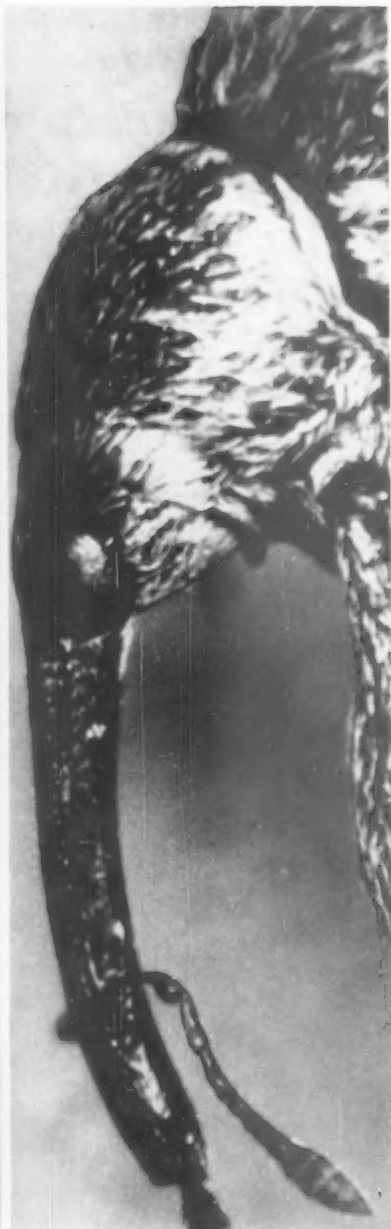
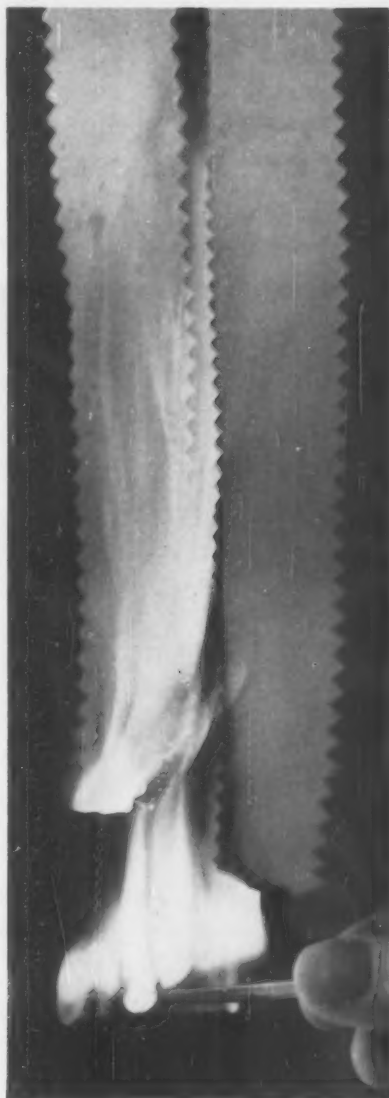
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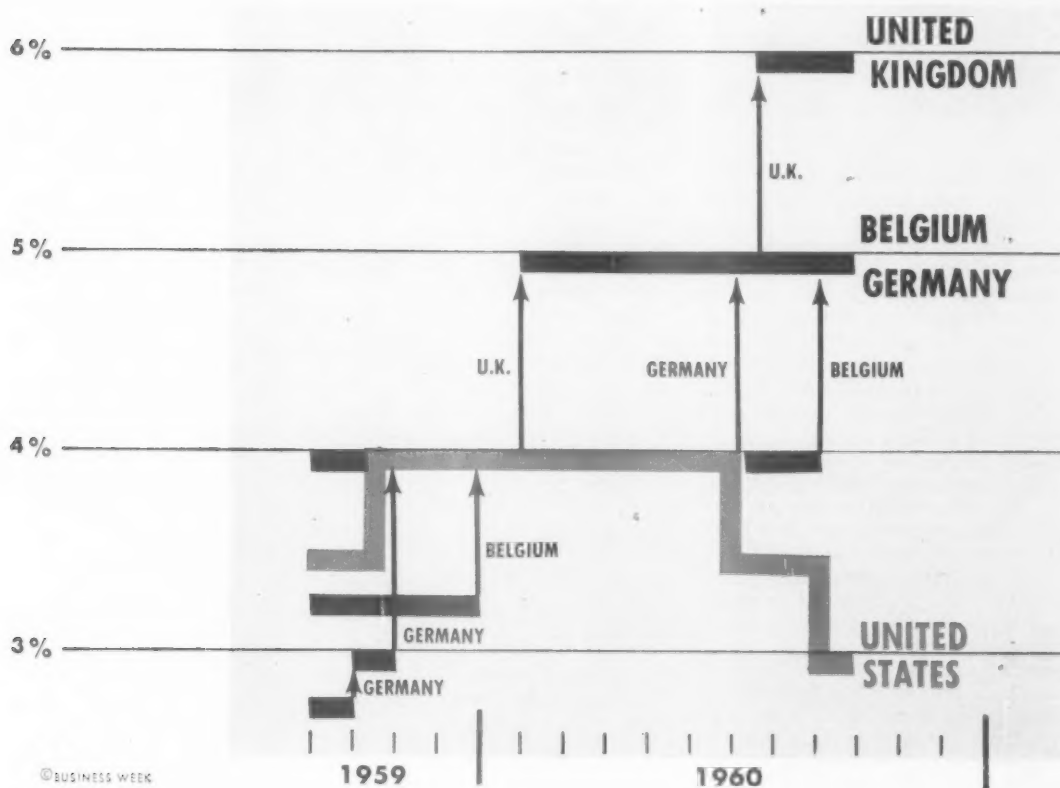
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The Widening Spread in Central Bank Rates



Risk Abroad for a Gain at Home

The nation's money managers last week made a decision of major significance. The Federal Reserve Board made clear that in its money policy it was placing more importance on domestic considerations than on international ones.

The Fed first announced it would be pumping additional reserves into the banking system; immediately afterward it lowered the discount rate from 3½% to 3%.

Almost everywhere else in the free world, central banks have been tightening up on credit and increasing the cost of borrowing (chart). Just last week

both Belgium and the Union of South Africa announced hikes in their central bank rates, while Australia's monetary authorities warned banks to cut down on their lending activity. The Fed's decision to reduce its rate has widened the spread between yields in our money market and those abroad to dramatic and potentially dangerous proportions.

• **Risk**—The Fed is knowingly taking a risk. Its active policy of ease, at a time when European countries are following an aggressively tight policy, could conceivably touch off a new and serious drain on the U.S. gold stock. In 1958 and 1959, the U.S. lost \$3.4-billion in

gold to foreign countries, mostly because of a large deficit in the balance of payments. So far this year, the loss has amounted to only \$374-million. But \$240-million of that has come in the past few weeks; if the loss continued at that rate, it would amount to over \$3-billion in a year.

Fed officials are not worried. They do expect some further decline in our gold stock, but they do not think that foreign central bankers will lead a stampede out of dollars and into gold.

They assume that a certain number of foreign and U.S. investors will sell their short-term dollar holdings and

place the proceeds in much higher yielding foreign investments. But they are counting on foreign central banks—which will be increasing their dollar assets as a result of such movements—to be very restrained in buying gold.

• **Aim**—That's why the Fed feels justified in using its powers to deal with the domestic situation. Though it terms its moves "technical," the fact is the Fed has initiated a policy aimed at encouraging a new wave of business spending.

I. Spurring a Pickup at Home

The Fed's moves are natural ones, on purely domestic grounds. The U.S. economy is operating well below capacity, and unemployment remains consistently above 5% of the labor force. While the Fed's industrial production index remained stable in both June and July, capital spending shows signs of slowing down. Consumers are not buying goods, particularly autos and other durables, at anything like a boom rate.

Since early in the year, the Fed has been skeptical about the outlook for business. In March, it took its first tentative and hesitant steps away from its tight money policy; it began open market operations to lessen the pressure on bank reserves (BW—Mar. 12'60, p23). In June, it lowered the discount rate from 4% to 3½%.

• **Latest Steps**—Now it has taken additional easing steps—including a reduction in stock market margin requirements. Fed economists still look for a fall pickup, although they doubt that it will turn into a powerful upsurge. They would like to encourage the pickup, and they see no danger at all of any inflationary threat.

Fed officials say that they have no fears of a recession. They count on increased public spending to help. But they clearly intend to see to it that the economy is not crippled by any lack of credit at reasonable rates.

• **Disarming the Critics**—The Fed insists that its moves are nonpolitical. Nevertheless, its decision to ease has served to disarm most of its critics, including Sen. John F. Kennedy and other Democrats. Democrats who had counted on tight money as a big campaign issue will find it difficult to make much of a case against FRB Chmn. William McC. Martin and his colleagues. As one Congressional Democrat put it this week, "We can talk about how the Fed bungled the job, but if people find they have no trouble borrowing then it won't get us any votes."

II. How Effective?

Yields in the open market now fully reflect the Fed's easing, and mortgage rates are also coming down. But the

nation's banks have been slow to react to the new credit policy. Their prime rate—the rate charged their biggest and most credit-worthy corporate customers—stands at 5% and has not been changed since last September, when the central bank itself was charging the banks 4% for their loans from the Fed, instead of the 3% rate just announced.

The latest reduction in the discount rate will certainly mean a cut in the prime rate—but the banks did not rush in to make the change immediately. Bankers say that loan demand is still high and their loan-deposit ratios are at near-record levels. So they feel under no compulsion to lower their rates. As one banker put it, "Sure we are coming down, but there's no need to rush."

In the past few weeks, though, loan demand has been slipping. This is partly because some borrowers are going into the commercial paper market, where rates are only about half the cost of bank advances. Partly, too, it is because of the over-all softness in business, and because corporate borrowers are waiting for a cut in rates.

• **Questions**—There's some question whether a reduction in bank lending rates will stimulate additional borrowing. The Fed recognizes that a restrictive credit policy is usually more effective in choking off a boom than a relaxed policy is in stimulating activity. Moreover, the federal Treasury has a small but comfortable surplus, and this tends to counter the Fed's new anti-inflationary course. The Treasury, in fact, is a major beneficiary of the Fed's easier policy, for it will be able to engage in some stretching out of the debt over the next few months.

III. The Risk on Gold

The one worry is that fears of foreign central bankers about the weakness of the dollar will revive and they will begin buying gold. But it's not a very strong worry.

It's traditional for some central banks to keep only their day-to-day working balances in dollars, transferring any extra dollars into gold. The Bank of England follows this policy, and so do the Belgians, the French, and the Italians. Most of the gold drain from the U.S. in the past few weeks has gone into these banks.

The Germans have been gaining dollars steadily, but they have not been eating into the U.S. gold stock. Apparently, the German central bank does not want to embarrass the U.S. by increasing its gold purchases, because such a course might invite retaliatory action.

There is always a chance that some central bank will panic, and move the bulk of its balances into gold. This

could touch off a run on our gold stocks by other central banks. But neither Fed officials nor foreign central bankers think this is likely to happen unless it should become clearly evident that the U.S. was embarked on a widely inflationary course.

• **Up to Central Banks**—In a sense, the fate of the U.S. gold supply rests with a handful of central banks in Europe. Dollar switches by individuals, corporations, or private banks exert only indirect pressure on our gold stock. If Western Germany or England gets a big inflow of funds as a result of private demand for their high-yielding securities, their central banks can choose whether to step up their gold purchases from the U.S. or to hold the dollars they receive from investors.

They are posting their high rates mainly as a result of domestic conditions, and not to attract "hot money." And in any case, they all have a large stake in the dollar. They hold dollars in quantity as reserves against their own currencies. Moreover, the values of the Free World's currencies are built around the gold price of \$35 per oz.

That's why foreign central banks will probably refrain from any large-scale purchases of U.S. gold, because a real run on the gold stock might conceivably force the U.S. to devalue the dollar by raising the gold price.

The Germans, in fact, have tried to discourage any inflow of foreign funds by eliminating interest on foreign time deposits. The Swiss this week took similar action.

This is what the Fed and Treasury are counting on. They feel that the U.S. gold stock can stand some temporary decline, and that this is all that will occur in the months ahead. They deny vehemently that there is any "gentlemen's agreement" between the central bankers of the free world to go easy on the U.S. As one Fed official explains, "If we tried anything like that it would prompt a gold rush rather than restrain it. The reason that foreign central banks are behaving is that any other course would be disastrous for all of us."

• **Signs of Change**—Actually, the Fed's downward movement in interest rates may soon be followed abroad. For there are signs of a slowing down in economic activity both in England and in Germany. This week, some British authorities thought that a drop in the Bank of England's rate was in order, though it will hardly come immediately.

Some European bankers think that the real danger to the U.S. might come after the election. As they see it, European central bankers have learned to trust Martin, considering him a firm believer in sound money. But if there is a retreat from his concepts, they say, there is a possibility of a run on gold.



SEN. ROBERT KERR wants limited coverage with minimum of public aid.



REP. AIME FORAND would broaden benefits by levying higher payroll taxes.



SEN. CLINTON ANDERSON backs compromise bill introduced by Sen. Kennedy.

Showdown on Medical Care Issue

The issue of medical care for the aged reaches a showdown in the Senate next week with the Presidential candidates staking a big part of their political prestige on the outcome.

On the eve of the debate, Congress is seriously split over the scope of medical coverage, the methods of financing, and whether to require participants to meet a "means" test showing they or their families are unable to pay for the care.

At least 10 bills on the subject are now before the Senate. But in the last few days, the Democratic Presidential candidate, Sen. John Kennedy, has moved in to try to take charge with a measure of his own. As the situation now shakes down, there are three distinct approaches being advanced that represent roughly the right, left, and center positions:

The Kerr bill. This is an expanded version of a House-passed bill brought to the Senate floor by Sen. Robert S. Kerr (D-Okla.). It is backed by conservative Southerners and Republicans. The \$190-million measure, approved by the Senate Finance Committee, represents a minimum public-assistance approach and would cover the 2.4-million persons now on old age welfare rolls. Up to 1-million more elderly persons would be covered if they can show they are unable to meet their medical expenses. Cost would come from general revenues. Apportionment would be left to the states.

The Forand bill. Rejected in the House, the bill has been introduced in the Senate by Sen. Wayne Morse (D-Ore.). The bill would provide ex-

tensive hospital, nursing, and surgical benefits to the 12-million persons over 65 now receiving old age and survivors' insurance (OASI) benefits. The Forand-Morse bill would be financed by increasing payroll taxes $\frac{1}{4}$ of 1% for both employers and employees. In contrast, Kerr's bill would require no increase in taxes. The Morse-Forand bill is estimated to cost anywhere up to \$2-billion annually.

The Kennedy-Johnson-Anderson plan. The Kennedy forces are rallying behind a compromise to be brought to the floor by Sen. Clinton Anderson (D-N.M.). They would adopt some Social Security financing, but limit it to try to attract support of the moderates. In addition to the needy covered in the Kerr bill, Anderson's amendment would raise Social Security taxes to finance medical care for 9-million persons aged 68 and over who now draw OASI benefits. Coverage for these people would include hospital and nursing costs, but not surgical or doctor bills.

Last-Ditch Stands. Vice-Pres. Nixon and Sen. Kennedy are heavily committed to "medicare" programs, and both Presidential contenders have rejected the Kerr bill as failing to do the job.

Nixon is working with the Republican leadership to try to broaden the Senate Finance Committee bill. Nixon's original measure to provide \$1.4-billion annually from Treasury funds for "catastrophic" illnesses has found meager support in the Senate. However, the measure may be put forward as a last-ditch effort to try to block a Social Security-financed program.

Kennedy's strategy, led by his running mate, Majority Leader Lyndon Johnson, is to tone down other provisions to try to get the Southern moderates to come along. These senators hold the key to success of the Kennedy approach. Middle-of-the-road Southerners generally favor some sort of medical aid program, but they have been reluctant to accept any increase in the levy on payrolls.

Passage by the Senate of an aged medical care bill would still mark only one round of the struggle. A bill would still have to pass the House, where clearance by the conservative-dominated Ways & Means Committee would prove troublesome. And Pres. Eisenhower has threatened to veto any bill that requires raising Social Security taxes.

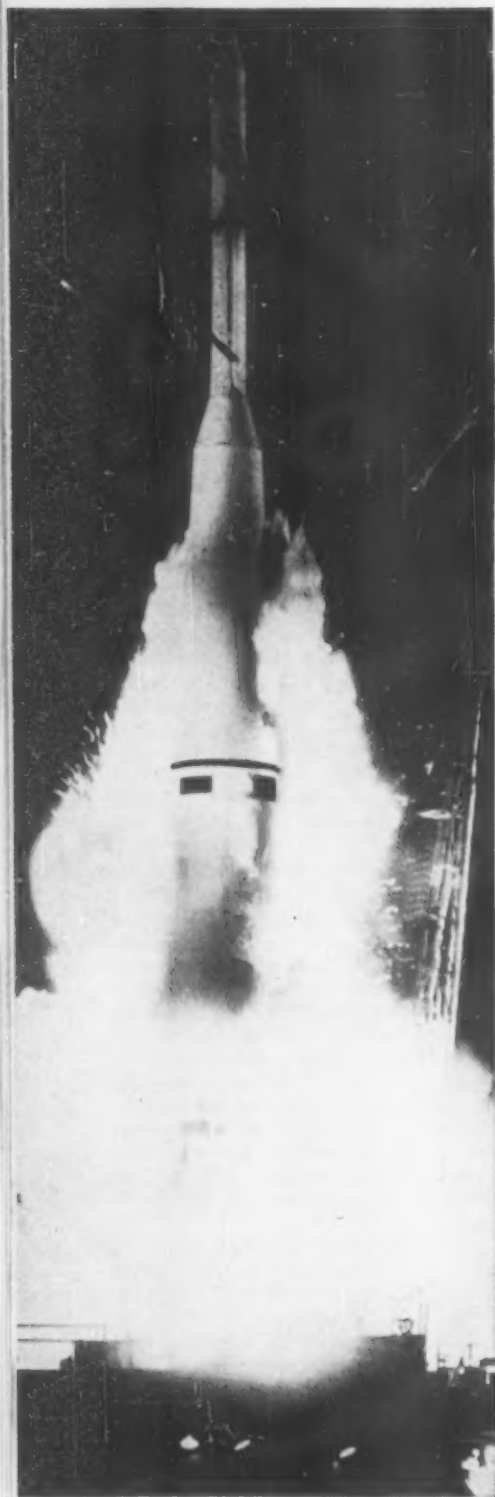
Social Security Amendments. The Senate Finance Committee bill also contains three other important amendments to the Social Security Act that have been overlooked because of the mass of publicity given to medical care provisions:

- The most important would reduce from 65 to 62 the age when males could voluntarily start collecting pensions. As is the present case for women, the benefits would be somewhat less than those paid at age 65 and over.

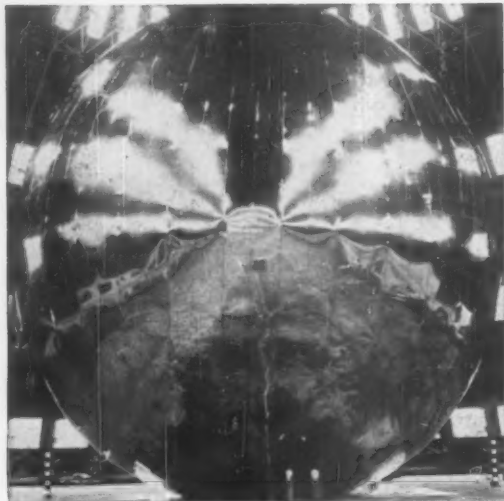
- A second provision would make any adult eligible for disability benefits, thus eliminating the age-50 requirement at present.

- Third, the amount of outside income OASI beneficiaries could earn and still draw full retirement benefits would be raised to \$1,800 from the present \$1,200.

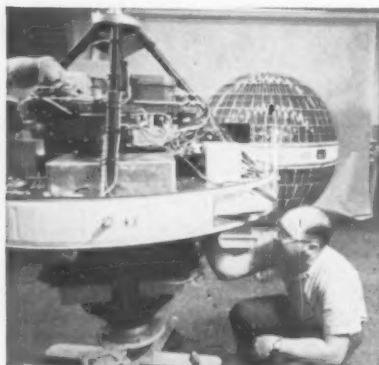
Military and Commercial Use of S



THOR rocket booster has a near flawless record in putting U.S. satellites in orbit.



ECHO The huge 10-story high Echo I Satellite is test-inflated on ground, then deflated and packed into round container (center) for ride into space. Finally, the



COURIER Technician adjusts delicate "innards" of a Courier communications satellite before sealing it (center) inside metallic shell. Courier is designed to relay



BACK FROM SPACE Smoke marks spot where capsule ejected from orbiting Discoverer XIII satellite landed in Pacific. Flown immediately

Space Just Around the Bend



orbiting balloon satellite (above) streaks across Portland sky.



68,000 coded words a min. from ground station (above) at Fort Monmouth, N. J.



to Washington, the space capsule is greeted (above) by beaming Air Force officers.

There is no mistaking the significance of the volley of satellites that have been fired from Cape Canaveral and Vandenberg Air Force Base during the past fortnight. After a late start and a discouraging early development period, the U.S. is just about ready to move out into near space in practical earnest.

An almost bewildering array of satellite capsules have been researched and found workable. Highly complex rocket systems are available to put hundreds of pounds of payload into precise, pre-designated orbits.

From both military and commercial standpoints, there can be little doubt that the payoff for the multi-billion dollar U.S. space research effort will be starting to pour in soon.

• **Historic Day**—In the military rocket development program there may never be a single day designated on which the industry came of age, but Friday, Aug. 12, will probably go down in the annals of the communications industry as the day on which a new era began. At 5:40 EDT that morning, a sleek Thor-Delta rocket rose from the launching pad at Cape Canaveral and streaked into the morning sky.

Performing neatly and exactly according to plan, the rocket reached its prescribed orbital altitude and released its payload, a 26½-in.-diameter magnesium container.

Two minutes later, this container was split open by an explosive charge, allowing its contents—a 125-lb. aluminized Mylar balloon called Echo I—to spill free and inflate. With its thin skin—less than half the thickness of the cellophane on a cigarette package—fully inflated, Echo I reached the size of a 10-story building.

• **Message Received**—One hour and 58 minutes after it left the ground, Echo I had fulfilled its mission. A radio signal was bounced off its gleaming sides from the Jet Propulsion Laboratory in Goldstone, Calif., to the Bell Telephone Laboratories in Holmdel, N. J. This successful transmission took the world a giant step nearer the day when transoceanic telephone calls and live television can be transmitted to any spot on the earth's surface via satellite.

Twelve hours earlier, the Air Force successfully fired its 13th Discoverer satellite into polar orbit and made a successful recovery of its nose cone off Hawaii; and Courier I, the first of the U.S. delayed-repeater communications satellites, was due to be fired from the Cape. When it is fired, Courier, equipped with some 300 lbs. of electronic equipment, will test out a system of relaying both voice and Teletype communications.

Though they differ radically in size and shape, payload, and orbital pattern, the space travelers Echo, Discoverer, and Courier and the various other satellites that will be fired in the next few weeks fit into a neat developmental package.

• **Multi-Satellite Network**—Courier and Echo (the former an active and the latter a passive communications satellite) are the forerunners of a multi-satellite network called Advent—which both the military and the communications industry hope will be operational before long.

The Defense Department is vitally interested in both Courier and Echo in connection with the possibility of setting up a jam-proof communications system. Such a system would mean that the U.S. at all times could be in instant communication with its allies. Industry, worried over the log-jam that is developing in available world radio channels, is interested in all developments of this nature, too (BW—Jul. 16 '60, p32).

• **Payloads Limited**—Sophisticated as they may be, U.S. satellites are still severely limited as to payload. This will continue until about 1964 when the first big rocket engine (like the 1.5-million-lb. thrust Saturn) becomes operational.

The Thor (originally designed as an intermediate range ballistic missile) is doing yeoman's service, providing the big push for most of the U.S. successes in near space. (It functioned flawlessly in 28 of its 32 assignments as a space booster.)

But the Thor is not powerful enough to put heavily instrumented satellites into the kind of orbits they're going to need for a long, useful lifetime. From an industrial standpoint, the use of near space for a communications relay station or anything else won't be economically feasible until the bigger rocket engines come along.

But for military purposes, the use of near space is close at hand.

• **Chimp in Space**—On the docket soon, in the stepped-up U.S. space exploration program, is the firing of a passenger-carrying Discoverer capsule into earth orbit. The first passenger will be a chimpanzee. Researchers have every hope, in view of their recent successes, of bringing him back alive and well.

If they succeed, they will be on their way toward solving what's generally considered to be the toughest satellite research problem of all—finding a means of protecting man when he's fired beyond the earth's atmosphere to man the communications and reconnaissance equipment.

1960 Electioneering Comes High

Travel, advertising, and the army of experts in the background will cost the two parties total of nearly \$90-million.

The Presidential campaign of 1960 probably will turn out to be the best organized and most carefully planned in American history. Almost certainly it will be the most expensive.

Politics is a big and costly business. Between them, the two parties will spend \$80-million to \$90-million this year to elect candidates for national, state, and local offices. Most estimates agree that roughly half of that sum will be primarily for the benefit of the two Presidential tickets.

Big money is needed for the traveling and advertising that go into the election of a President. And the overhead is terrific. Each candidate has his sizable personal staff of campaign aides, and both Republican and Democratic National Committee headquarters have overflowed into extra office space to accommodate temporary workers now inflating the payrolls.

- **Behind the Scene**—Behind the candidate as he eases down into a chair before a TV camera or stands on a podium before cheering thousands there is a small army of experts rarely seen and seldom heard by the public. There are researchers and speech writers and academic "eggheads" who this year are having their biggest time in the political sun since early New Deal days.

There are consultants on TV and radio, consultants on press relations, advertising copy writers, layout experts, cartoonists, gag men, songwriters. And there are pollsters trying to deduce what the public thinks, and motivation experts trying to deduce how to capitalize on the voters' thoughts.

- **Fund Raisers**—This explains why, as the first nationwide order of campaign business, both parties got busy this week organizing their private armies of experienced fund raisers.

Sidney Salomon, Jr., a St. Louis life insurance executive, has just taken over as Democratic national finance chairman. Besides the main office in Washington, Salomon plans to set up branch money-raising offices for the Democrats in New York, Chicago, and Los Angeles. J. Clifford Folger, a Washington investment broker, is Salomon's Republican opposite.

Both parties will go through the routine of soliciting \$1 and \$5 contributions from the general public via doorbell ringing and other mass coverage techniques. But this year as in the past the bulk of the Presidential campaign cost will be borne by the

regulars—steady contributors who are always good for \$100, \$1,000, or \$5,000.

I. Problem in Logistics

Both Kennedy and Nixon intend to campaign in each of the 50 states before Election Day, Nov. 8. This feat will test both campaign organizations, for the mere movement of a Presidential candidate and his entourage is a matter of fine skill and timing.

The jet airliner reduces the time problem in covering the vast distances involved in reaching the population centers of the East, Midwest, and Far West. Both candidates will use jetliners on long trips, relying on more economical piston-engine planes to cover short and medium distances and for regional saturation sorties.

The old-style campaign train, used so effectively by Franklin D. Roosevelt and Harry S. Truman, will be rolled out again, but its heyday is long past. Nixon and Kennedy plan only very limited use of the train.

A brief look at the precision of 1960-style campaigning has been afforded by Nixon's recent trip to Hawaii. Round trip by air from Washington, it required four days, with stops for politicking in Reno, Nev., and at Whittier, Calif., the Vice-President's hometown.

- **Nixon's Staff**—James Bassett, a Los Angeles newspaperman now on Nixon's staff, was in charge of arranging transportation, hotel accommodations, and schedules for the principal events along the way. James Shepley, a long-time Nixon friend now on leave from Time, Inc., supervised background research and making tentative drafts for Nixon's speeches. Herbert G. Klein, Nixon's press secretary, set up news conferences and dealt with radio and TV representatives. Robert Finch, another top Nixon aide, served as appointment secretary, deciding which persons were entitled to an audience.

Republican National Chmn. Thurston B. Morton's shop in Washington financed the four-day trip (about \$20,000). And presiding over the entire operation was Leonard W. Hall, a former GOP national chairman who now is Nixon's campaign manager.

II. Big Money for TV

The parties are coy about breaking down their campaign expenditures, but it is evident that the bulk of this year's

national advertising campaign will be concentrated, as in 1956, on television. Four years ago, according to William S. Hedges, a vice-president of NBC, the two parties combined spent \$7-million for television and radio.

Hedges says the GOP spent \$4-million and the Democratic Party \$3-million. Of the \$7-million, Hedges calculates \$5.3-million was for television.

This year, the total probably will be higher, despite the networks' offers of eight hours of free time for debate between Nixon and Kennedy.

Representatives of the candidates and the broadcasting industry were still trying this week to arrange details for the debates. They are contingent upon temporary suspension—for this Presidential campaign period only—of federal law requiring radio and TV license holders to give free time to all political candidates for a given office if they supply free time for one.

- **A Gift Horse**—It is expected that the debates will be in one-hour segments, carried live and simultaneously on all national TV and radio networks.

Neither candidate wants anything like eight hours of free time. Lou Gaylay, the Republican national publicity director, says, "It's a great offer, but it's a gift horse we are looking squarely in the mouth. We are going to want to put on our own TV programs at times and places of our choice, and under our own control." J. Leonard Reinsch, a TV-radio executive who is Kennedy's adviser in this area, agrees with Gaylay that, first, a debate may not be the most effective way for a party to present its case and, second, the public may become bored if a nominee's image shows too often on the home screen.

- **More "Piggyback"**—The "commercial" TV plans are mostly in abeyance until the free debate plans are worked out. But some time buying has begun—always cash in advance, according to industry rules in dealing with political parties and politicians.

Thus far, signs point to less reliance than in 1956 on the half-hour or hour-long political extravaganza. More emphasis will go into the 5-min. "piggyback" show, time preempted from the tailend of popular network shows. And, in a big bid for the women's vote, both will buy more daytime TV than ever before.

III. The Adman's Role

The advertising agencies obviously have an important place in this gigantic campaign to "sell" the voting public, but it can be overemphasized. Reggie Scheubel, who handles the Democratic

account at Guild, Gascom & Bonfigli, says, "The agency plays its most important part in shaping appeals for specific audiences and deciding which media will be most effective in reaching these audiences."

Carroll Newton, a vice-president on leave from Batten, Barton, Durstine & Osborne, Inc., is in charge of the GOP account. It is being handled by Campaign Associates, Inc., set up especially for the Presidential campaign, and staffed with a force drawn largely from BBDO plus several other agencies.

Newton thinks "incumbent advertising"—in the business world, this might be compared to institutional advertising—is easier than "new candidate advertising." Unlike Kennedy, clearly a "new product" in this context, Nixon poses a special problem since he falls comfortably into neither category.

• **Guiding Hand**—Part of the grist fed into the mill of the ad agency is much more sophisticated than merely the text of a candidate's speech. A steady flow of reports and analyses comes to headquarters and then to the agency from pollsters and motivation researchers.

Because most of their work is confidential, it is seldom obvious just how it affects an ad campaign or a policy speech. But both sides are making extensive use of interview techniques. The Democratic National Committee has a staff expert on motivation, Dr. George Belknap, formerly of the University of California. Serving Nixon in comparable anonymity is Dr. George Grassmuck, on leave from the University of Michigan. Like Belknap, he is an expert in assaying public opinion.

Democratic sources credit Belknap with influencing a decision last winter not to produce a party film attacking Nixon for a "dirty" campaign against Helen Gahagan Douglas in the California Senate race of 1950 because it would offend the public sense of fair play.

• **Current Techniques**—Motivation Dynamics, a research firm based at Mohegan Lake, N. Y., supplied Nixon's camp this summer with a report based on analysis of polling that illustrates some of the current techniques.

Interviewers posed three hypothetical national crises—an outbreak of racial violence, a crippling labor-management dispute, severe danger of war—and asked, "Now, which candidate could better handle the situation?"

Motivation Dynamics' report put the Vice-President slightly ahead of Kennedy on the first two questions and way ahead on the war threat.

What influence do such reports have on a candidate? There is no way to tell. The unwritten code of the political game is that no self-respecting politician admits he adjusts his opinions to any kind of poll or "market" analysis.

Shoring Up No. 10



NO. 10 Downing Street, built by Sir George Downing, will keep its 17th Century facade.

On Aug. 8, the London Times noted that "if holiday makers went into No. 10 [Downing Street] they would notice swing doors that cannot close because the floor is no longer horizontal . . . chandeliers show that the ceilings are not always level either . . . cracked walls emphasise the need for repairs."

A committee appointed to look over the home of Britain's Prime Ministers was less restrained. It slammed No. 10's plumbing, said the place was deteriorating, and branded it a fire hazard.

As a result, a two-year, \$1.4-million job of restoring the early 17th Century building began last week. Two adjoining houses, No. 11 and No. 12, also will undergo face-liftings. Meanwhile, the Prime Minister, Chancellor of the Exchequer (No. 11), and the Government Whip (No. 12) will be accommodated at Admiralty House. The houses are all that remain of a square of dwellings built by Sir George Downing.



STAIRCASE portraits of previous tenants include those of Disraeli and Gladstone.



ARCHITECTURAL style and other historical features will be retained in face-lifting.

ECONOMIC COMMUNITY

FRANCE
WEST GERMANY
ITALY
NETHERLANDS
BELGIUM
LUXEMBOURG



©BUSINESS WEEK

Jan. 1, 1959: EUROPEAN ECONOMIC COMMUNITY (EEC), led by France and West Germany, goes into operation as a tight, exclusive trading block of six nations. Its goals: full economic integration, political federation.

ECONOMIC COMMUNITY

FRANCE
WEST GERMANY
ITALY
NETHERLANDS
BELGIUM
LUXEMBOURG

FREE TRADE ASSN.

BRITAIN
SWEDEN
NORWAY
DENMARK
SWITZERLAND
AUSTRIA
PORTUGAL



July 1, 1960: EUROPEAN FREE TRADE ASSN. (EFTA), organized by Britain as counterbalance to EEC, starts cutting tariffs among its seven members. London's goal: to force a merger of the two blocs, and avert British isolation from Europe.

Merger of Europe's Trade Blocs

After years of diplomatic jockeying and public feuding, Western Europe finally split this summer into two distinct trading blocs. One is the European Economic Community (EEC), with France and West Germany as its dominant members. The other is the European Free Trade Assn. (EFTA), which is led by Britain.

For the majority of businessmen in Europe, and for many in the U.S., this division has complicated both trade and investment calculations. Yet—until the past two weeks—businessmen had no solid reason to expect any early accommodation between the six nations of EEC and the seven of EFTA. Even the optimists thought it would take two or three years at least to close the gap. The division reflected the clashing interests and ambitions, political as well as economic, of Europe's three strongest powers—with France and West Germany lined up on the one side and Britain on the other.

• Merger Possibility—Today, however, the big-power balance in Western Europe seems to have shifted. A Six-Seven merger during the next 12 to 18

months is a real possibility. It probably will be in the form of a customs union that incorporates EEC (as a unit), Britain, and the other EFTA members.

The result would be a single European trading bloc with a population of around 250-million and a combined gross national product of almost \$300-billion. But, for years, it would be a looser economic union than supporters of European integration have been planning for EEC. Even EEC itself now seems destined to move more slowly in developing supranational institutions.

I. Why the Shift

A shift in West German policy accounts for the changed outlook. Chancellor Adenauer stuck with French Pres. de Gaulle for almost two years after the Paris-Bonn axis was consolidated in November, 1958. Now he is wooing British Prime Minister Macmillan.

The German and British leaders met in Bonn last week. Adenauer agreed to work within EEC for a compromise solution of the Six-Seven problem, a compromise that would suit the British.

He also suggested that he wants Britain included in a new European organization that he and de Gaulle had discussed 10 days earlier.

This doesn't mean that Adenauer now plans to base his European policy on a London-Bonn axis. But he clearly is ready to strengthen London's bargaining position on the trade issue in return for British support in containing de Gaulle's extravagant political and military ambitions. Apparently Adenauer's meeting with the French President on July 29-30 convinced him that German interests called for a shift.

Reports of this secret meeting at Rambouillet, de Gaulle's country place, still are sketchy. But it is clear that the French President pushed hard to get German backing for several of his pet schemes—as a payoff for the support Paris has given EEC.

In broad terms, this is the case de Gaulle put forward:

Continental Europe, operating from the Paris-Bonn axis, should be playing an independent role in the NATO area and elsewhere in the world. Above all, Europe should be able to speak to Mos-

ECONOMIC COMMUNITY FREE TRADE ASSN.

CONTINENTAL
POWER BLOC

BRITAIN
SWEDEN
NORWAY
DENMARK
SWITZERLAND
AUSTRIA
PORTUGAL



©BUSINESS WEEK

July 29-30: DE GAULLE moves to convert the "Six" into a Continental power bloc led by Paris—at the expense of supranational executive bodies such as EEC's Commission. But, in secret talks, de Gaulle fails to convince Adenauer.

CUSTOMS UNION

WEST GERMANY
BRITAIN
FRANCE
ITALY
BELGIUM
NETHERLANDS
LUXEMBOURG
SWEDEN
NORWAY
DENMARK
SWITZERLAND
AUSTRIA
PORTUGAL



Aug. 10-11: ADENAUER AND MACMILLAN agree at Bonn meeting to work toward merger of Six and Seven into large customs union, and to include Britain in new political body. Now they need de Gaulle's O.K., want U. S. approval.

in Sight

cow with a single voice. This has become necessary because of the growing weakness in U. S. leadership.

To do this, the six EEC nations should set up in Paris a permanent secretariat of ministerial rank. The new organization would have no supranational powers. For the present at least, Britain would be left out.

For Adenauer, this meeting must have been quite a shock. In effect, he was being asked to go along with de Gaulle's ambition to build a "third force" in Europe that would some day be independent of the U. S. and would be based on a French nuclear force. To put it another way, de Gaulle was pushing Adenauer not only to forget the British role in Europe but to choose between Paris and Washington. Moreover, de Gaulle's plans for a new European political body would relegate EEC's executive body in Brussels—the Commission—to a relatively minor political role, thus blocking the road to economic and political integration.

• **Two Proposals**—Shocked or not, the German Chancellor was ready to agree that a new political body is needed to

coordinate Europe's world policies. He also accepted the downgrading of EEC's Commission. There is evidence for this in two proposals he made to Macmillan.

First, he suggested his own version of de Gaulle's scheme for a political secretariat. In effect, he asked Macmillan if Britain would be ready to join a "Concert of Europe" which would operate with a standing group of ministers who would hold regular meetings. Then, Adenauer proposed that negotiations on trade should be conducted by the Six at the national level rather than letting the Commission speak for all of them.

II. De Gaulle's Hand

Of course, de Gaulle can still veto any Six-Seven get-together just as he vetoed an earlier British trade plan late in 1958. At that time, the British were pushing a Europe-wide free trade scheme and probably would have had it accepted if the French had not held out. To be sure, Adenauer played along then with de Gaulle in his rebuff to London—but only because he was so set on achieving a Franco-German reconciliation and on tying West Germany into a closely unified Europe.

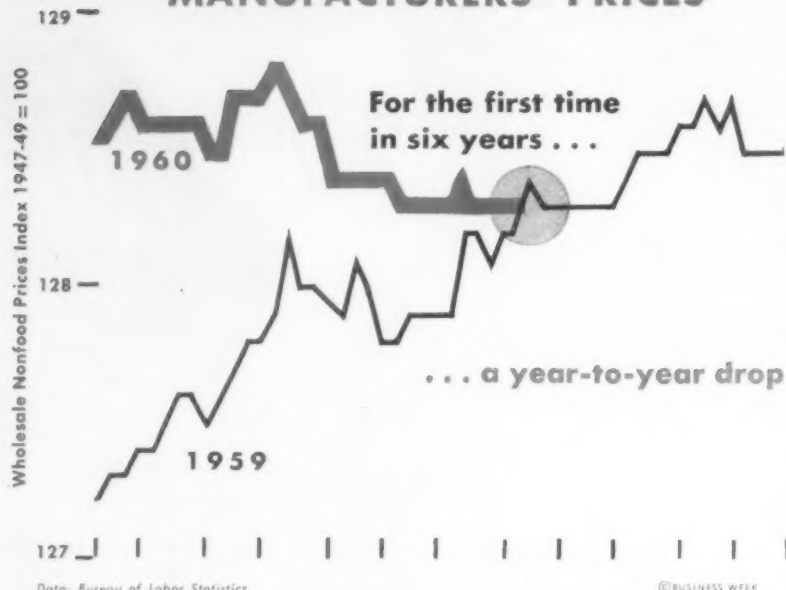
• **At Odds**—Even at that time, de

Gaulle's interest in EEC was very different from Adenauer's. When the two men met in November, 1958, six months after the Fourth French Republic collapsed, de Gaulle was looking ahead to the day when he could use his EEC partnership with West Germany to give France the leadership of Western Europe and a world position to rival that of the U. S. and the U. S. S. R.

Now that de Gaulle is beginning to show his hand, Adenauer finds that, in many respects, West Germany's interests are closer to Britain's than to France's. For one thing, as Economics Minister Erhard constantly insists, West Germany is a world trader, just as Britain is, and can't afford to limit its economic horizon to Western Europe. For another, Adenauer and Macmillan believe the best interests of their nations lie in a close military and economic partnership with the U. S.

Moreover, since the collapse of the summit in May, Adenauer has found that de Gaulle seems more anxious than Macmillan to reopen top-level negotiations with Moscow. Last year, it was Macmillan's summitry and willingness to make a deal on Berlin that really annoyed Adenauer, not British pressure for a deal on trade.

MANUFACTURERS' PRICES



Decline That Hurts

What the recession of 1957-58 couldn't accomplish, this year's boomless prosperity apparently has. For the first time since 1954, wholesale prices as measured by the Bureau of Labor Statistics' weekly index have slipped under comparable figures of the previous year.

This index covers a comprehensive section of manufactured goods other than farm products and processed food. It rose slowly and almost without interruption through most of the postwar era. It rode a plateau from November through March. For five months, it has been edging steadily lower. Finally, the Aug. 9 figure broke through the year-ago level.

• **Widespread Discounting**—Behind the statistics, BUSINESS WEEK reporters in all parts of the country find industry after industry facing some of the toughest competition since the end of World War II. Price cuts—many of them concealed so that no index can weight them—of as much as 75% off list are reported in screw machine products in the Dallas area. Electrical equipment—both large and small—is being discounted far below published prices. In Atlanta, a switchgear distributor who reported discounts off list of 15% in December now says some deals are being closed 45% below book.

Los Angeles, where businessmen say they are usually free of stiff price cutting, now reports that in cutting tools "there aren't any prices any more." A distributor said: "It's all negotiation."

You can make a long list of products that have felt the ax—oil country goods,

plumbing fixtures, fabricated structural steel, plywood, motors, belts, pumps, and compressors. In some cases, businessmen describe the situation quite simply: "A price war."

• **"Profitless Prosperity"**—In fact, it has reached the point where manufacturers and distributors alike are asking themselves if reductions can go much further.

In Chicago, the price squeeze is already near the limit, most industrial suppliers insist. Electronic parts makers have just sent out new price lists, shaving a few cents off. Says one supplier: "I couldn't make more than a token cut and keep my door open."

The feeling that the wholesale price structure has to get better because it can't get worse is just about the closest you can come to finding any expressions of confidence around the country.

• **Price Pressure**—A variety of conditions are blamed for the price cutting: overcapacity, lack of demand, foreign competition, tight inventory policies that limit forward purchasing.

Pressure on prices is coming from buyers who are taking advantage of the oversupply situation in some industries by shopping around. A major Southern distributor of a wide variety of industrial goods reports that his good friends who have bought from him for years are now going elsewhere for slightly lower-priced goods. He himself has instituted a new plan—the first in his supply business, he says—whereby lower prices are quoted for cash-and-carry purchases.

• **Housing Pinch**—Industries tied to

housing are feeling the slump in residential construction that is running 17% below last year. Water heaters, for example, have been sold below cost as suppliers scramble for business. Prices on plumbing are running at least 10% below last year, according to a Dallas distributor. He added: "Manufacturers were looking for a big 1960, but the lack of building knocked that for a loop." Thus, floor coverings, which now show signs of some firming up, were being sold a few months back at below cost. "It was just hoggishness on the part of some," says a dealer. "No one was making any money and they soon realized it."

Generally, though, where supply is outrunning demand, distributors are sacrificing profit to keep volume.

On the other hand, many purchasing agents insist that good deals are hard to find. But the purchasing agent of a missile factory says, "Where a buyer wants to work on it, the market is soft enough so he can get lower prices." He adds: "Vendors keep saying prices are going up. But when you have an order in hand, they sharpen pencils."

• **Careful Buying**—To a large extent BUSINESS WEEK found most areas reporting cautious inventory buying. A Chicago steel distributor noted that his orders seemed to be coming in after 2 p.m. He found that buyers would check top management in the morning to match needed supplies with production schedules, then shop around, and finally place their orders in late afternoon.

A Cleveland company has adopted a new inventory policy to take advantage of the price situation. Its buyers are negotiating contracts to purchase supplies in large quantities, with delivery spaced over long periods.

• **Foreign Competition**—A general complaint is tough price competition from foreign goods. Imports of such things as transistors, shoes, motors, stainless steel balls, and hardware are reported pressuring domestic prices.

• **The Outlook**—Most businessmen are looking forward to the fall for firmer prices. Inventories are so short in some cases, say suppliers, there could be strong upward pressure when new orders start coming in. In fact, a West Coast buyer reports signing an order for foreign steel to be delivered in November at higher prices. The foreign increase was based on the assumption U.S. companies would try to raise steel prices after the election. If they don't, then the higher prices won't stick.

Still, some businessmen believe that even with increased buying, there won't be much opportunity to raise prices. With many companies already increasing volume to achieve better unit margins, competition will remain stiff and this will help to hold prices steady.

Chrysler Moves for Cleanup

Winding up its probe, board readies future plans, starts one suit; meanwhile, Detroit attorney's stockholder suit wraps up all available charges, asks for receiver.

Chrysler management's time on the rack is nearing an end. There are still lawsuits to be disposed of, steps to be taken to rebuild employee morale and, perhaps, some beefing-up to be done in the executive corps.

But this week saw the start of action to clean up once and for all the conflicts of interest exposed after the forced resignation of Pres. William C. Newberg.

As this issue of BUSINESS WEEK went to press, the directors' investigation apparently had been concluded. It was expected that later in the week they would disclose their plans for the future conduct of the corporation.

In midweek came the first action: Chrysler sued Newberg's former partner, Ben Stone (BW—Aug. 6 '60, p. 22), for recovery of profits made by Stone in the two companies that he and Newberg established to supply automobile interior parts to Chrysler. After Newberg's firing, the corporation announced Newberg had agreed to return \$450,000 representing his share of the profits of the two companies—Press Products, Inc., and Bonan Co.

• **Stockholder Moves**—Chrysler, meanwhile, has some stockholder suits on its hands. One is the suit by stockholder Robert Markewich in New York State Supreme Court for a look at the books to determine if the stockholders have a case for damages against Chrysler management. The hearing originally set for next Monday now has been moved ahead to Sept. 20.

Chrysler must also answer a suit filed last week in Delaware by Detroit attorney Sol A. Dann—owner of 5,100 shares of Chrysler—and two lesser shareholders. They ask the court to appoint a receiver for the multibillion-dollar corporation on the grounds that "Chrysler is suffering irreparable injury because of the gross and unconscionable management" which has carried out "fraudulent schemes" against the company.

Dann's Wilmington attorneys acknowledge that there is little chance the court will put Chrysler in the hands of a receiver. The suit was Dann's way of prodding management changes. Chrysler Pres. L. L. Colbert said, however, "It is evident that Mr. Dann is trying to detract from and interfere with the thorough and responsible investigation being conducted on behalf of Chrysler Corp."

• **Catch-All**—Dann has been playing

the role of a goad, crying "corruption" in Chrysler, for several years. His petition leaves very little criticism of Chrysler unsaid. Every past error of judgment by management—acknowledged or assumed—is mentioned. And nearly every bit of Detroit gossip about Chrysler officials' outside interests is made a solemn accusation.

Dann's petition questions the wisdom of Chrysler contracting out die cast work, and says it does so because a vice-president, Robert P. Laughna, has a financial interest in a die cast company. The petition says that Colbert, "influenced by the prospects of great fraudulent gains and profits" (not explained), let die contracts worth \$30-million to the Budd Co. in an "unheard-of manner."

It mentions the fact that Chrysler purchased steel at premium prices—which Colbert reported to the stockholders in April.

• **Conflicts of Fact**—Some of the details in the major conflict-of-interest cases cited by Dann's petition fail to jibe with facts dug up by BUSINESS WEEK reporters while covering Chrysler's affairs in the past few months:

National Automotive Fibers, Inc.—Dann claims that "in or about the year 1940 K. T. Keller, then president of Chrysler, together with his brother Sam Keller, organized a corporation by the name of NAFI (National Automotive Fibers, Inc.)" to act as a sales agent for suppliers to Chrysler. In addition, the petition says, Chrysler was "forced . . . to acquire certain automotive fabrics from NAFI to the exclusion of other suppliers. . . ."

The belief that the Kellers were substantial owners of National Automotive Fibers is widely held in Detroit. However, the company was founded in the 1920s by Jack Millar, and when Shields & Co. bought it and changed the name to NAFI Corp., a search of all available records failed to show any Keller holdings. Millar and K. T. Keller were close friends.

Great Lakes Forwarding Co.—Dann's petition asserts that in 1957 "Alvin McEvoy, a neighbor and friend of Newberg, upon the advice and with the financial support of Newberg and Laughna, bought a company known as Great Lakes Forwarding Co." Great Lakes, it is alleged, forced out of business a company named Metropolitan Convoy Corp., which for years had been the third largest hauler of

Chrysler cars—the petition says Metropolitan sued Chrysler for \$2.2-million.

There is no doubt Chrysler's haulage arrangements were reorganized in 1957. At that time E. C. Row was Chrysler's administrative vice-president, and No. 2 man to Colbert. As the petition claims, Chrysler did greatly reduce the number of its haulaway contracts, but the responsibility was Row's not Newberg's.

Hall Lamp Co.—"In or about 1957," reads the petition, "one Harry Hirsch was induced by Rinehardt Bright, while Bright was executive vice-president of Chrysler in charge of manufacturing, to buy control of Hall Lamp Co. . . . In return for becoming exclusive supplier of head lamps to Chrysler, Hirsch . . . gave approximately 13,000 shares of common stock of Hall Lamp to the said Rinehardt Bright and/or his family."

Actually, Bright was general manager of the transmission plant in Indianapolis when Hirsch bought control of C. M. Hall Lamp Co. (in February, 1954, not 1957). Hirsch says he does not know Bright, except for possibly having met him at some Chrysler party. Bright did not become a Chrysler vice-president until 1956, and has never been an executive vice-president. Hall Lamp stockholder lists for 10 years back do not show the names of Bright or of any other Chrysler officials or members of their families.

• **Defendants**—These three suppliers, together with the Kellers, McEvoy, and Hirsch, are named as defendants, along with Newberg and the 20 members of the Chrysler board. Other Chrysler defendants are Vice-Pres. Laughna and Jack W. Minor, director of marketing for the Plymouth-De Soto-Valiant Div.

Other corporate defendants include the Budd Co.; Therm-Rite Co.; Donovan Wire Co.; Wachter Steel Co.; National Steel Corp. and its subsidiary, Great Lakes Steel Corp.; Liberty Storage Co.; Oakman Mfg. Co., and Valley Die Cast Co.

• **Haste**—In Dann's haste to file the petition—he says he was afraid of a rash of stockholder suits and he wanted to head them off—Dann made errors of identification. Among the defendants he lists "Pelham Co." instead of Pellon Co., which is a fabric supplier to Chrysler; "Creative Products, Inc." instead of Creative Industries, Inc., which is a modelmaker for several auto companies.

Until the last conflict-of-interest blot has been wiped off Chrysler's image, Dann's suit—despite its exaggerations—has high nuisance value. And at least one part of Dann's petition is accurate: As he says, he was pointing a finger more than two years ago, but nobody on Chrysler's board would look.

In Business

• • •

CAB Joins Race Against Calendar In Proposed Capital-United Merger

The Civil Aeronautics Board is moving with unaccustomed speed to consider the proposed merger of Capital and United airlines (BW—Aug. 6'60, p. 24). It set up a pre-hearing conference for Sept. 15, is already collecting information from both airlines, and has named Thomas L. Wrenn, associate chief examiner, to conduct hearings.

Ordinarily, CAB takes two years to complete any action of this sort; its action on a general fare increase took four years.

Both Capital and United have asked for a decision by Feb. 1. Vickers-Armstrongs, Ltd., which has filed a foreclosure suit against Capital on \$33.8-million of defaulted debt for Viscount planes, has warned that it will push the foreclosure action unless the merger plan makes rapid progress.

• • •

FPC Knocks Out Ad Expenses As Allowable Costs in Rates

The Federal Power Commission on Wednesday ruled that contributions from 76 electric utilities for an advertising campaign in 1957 was political in nature and therefore not a business expense that is allowable cost in figuring rates.

At issue was the campaign put on by the electric companies advertising program (ECAP) in favor of private power and against public power. The power commission upheld a staff recommendation in its ruling. Specifically, the commission said the contributions to the ECAP advertisements must be accounted for by the 76 utilities as "miscellaneous income deductions" after taxes are paid. The utilities had sought to have the costs allocated as tax-deductible business expenses that would have gone into the costs that determine a base for rate-making.

• • •

Foreign Bidders Low, but U. S. Rivals Get Two Out of Four Turbine Awards

When the Bureau of Reclamation awarded contracts last week for big hydroelectric turbines at four power projects, two went to U. S. companies and two to foreign.

James Leffel & Co. of Springfield, Ohio, won a \$798,550 contract for three 50,000-hp. turbines at Flaming Gorge Dam, Utah; Newport News Shipbuilding & Dry Dock Co., a \$1,125,000 order for two 105,000-hp. turbines at Keswick-Spring Creek, Calif.; Hitachi New York, Ltd., a \$664,860 contract for two 93,500-hp. turbines at Clear Creek, Calif., and English Electric, an \$832,830 award for two 85,000-hp. turbines at Trinity Dam, Calif.

Actually, foreign bids were low on all four contracts,

even considering the 6% Buy American differential, but a rarely used policy of the bureau limited the foreign bidders to one contract apiece.

The policy, purportedly based not on political considerations but on "good business practice," limits any contractor to one order for any large piece of equipment it has not previously supplied. English Electric has supplied transformers before, but not turbines; Hitachi is the first Japanese company to bid successfully on turbines.

The same policy would apply to domestic companies, says the bureau, but the question is academic, since U. S. suppliers are few and well-known from previous dealings in all major types of equipment.

• • •

Railroads in New York Area Agree To Commuter Service Under Subsidy

Solution of the New York metropolitan area's railroad commutation mess came a few steps closer this week when a group of New Jersey commuter railroads agreed to sign contracts with the state under which they'll take subsidies in return for continuing their commuter services.

By midweek, the four major commuter carriers—the Lackawanna, the Pennsylvania, the Erie, and the Jersey Central had agreed to sign, and four others were near agreement.

If all eight contracts are signed, the state probably will give the roads about \$5-million in subsidies—to be split according to the number of commuters they carry and the distance they carry them—and the roads will keep their services going through next June 30.

New Jersey will get the subsidy money from unallocated highway-building funds.

The one holdout so far is the Lehigh Valley RR, which would have drawn only about \$22,000 subsidy in the next 10 months; it says this is too little. Other subsidies would range from about \$1.4-million for the Lackawanna to \$9,500 for the Reading.

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Business Briefs

I-T-E Circuit Breaker Co. and Federal Pacific Electric Co. this week pleaded guilty in Philadelphia to substitute indictments charging criminal violation of antitrust laws by rigging the market for power switchgear (BW—Jul. 16 '60, p. 38). Their not guilty pleas to other indictments are unchanged. Allis-Chalmers Mfg. Co. had previously pleaded guilty in the switchgear case; General Electric Co. and Westinghouse Electric Corp. had pleaded not guilty.

C. F. Hathaway Co., Waterville (Me.) shirtmaker, was acquired this week by Warner Bros. Co.—the Bridgeport maker of foundation garments, not Warner Bros. Pictures, Inc. The seller was an investment group headed by Samuel Holtzman of Baltimore, which acquired control of Hathaway last spring for \$2.6-million.

McCall Corp., magazine publisher, prepared for possible entry into book publishing by naming William E. Buckley, former sales vice-president of World Publishing Co., to head a book division.

Man at work...

showing
management
how to get
better protection—
lower cost



How sure are you that your present Workmen's Compensation program is as modern and up-to-date as some of your newest equipment? Are you sure that your present Workmen's Compensation costs couldn't be reduced? That you have no loopholes in your present coverage? That you're not paying for duplication of coverages?

The AM man's job is to analyze your present insurance needs and fill them in *the best possible way for you*. To do this, he calls upon American Mutual's staff of specialists. Like the AM Safety Engineer—an expert in Loss Control. He suggests ways for you to prevent accidents to help keep production flowing . . . lower your insurance costs. And the AM Claim Representative—an expert in Workmen's Compensation claim handling. When an accident occurs, he works

quickly and fairly—makes the best medical service available to help return your injured people to work promptly. This means better employee relations for you.

These are some of the AM men who are at your service . . . advising you how to get better protection, prevent accidents, lower overall insurance costs. Take the case of the Melville Shoe Corporation of New York (Thom McAn Shoe Co., Miles Shoes, Inc., John Ward Men's Shoes, Inc., J. F. McElwain Co.). During the past 6 years alone, this long-time AM policyholder saved over \$225,000 (difference between manual rates for the industry and rates actually paid) . . . gained another \$149,000 in AM dividends. Those are sizable savings. Why not find out if we can do the same for you? Write American Mutual, Dept. BW-9, Wakefield, Mass.

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TRAILMOBILE — FIRST ON THE ROAD TO PROGRESS



TR-883

Phantom view of a "breakthrough"



Everyone agrees that aluminum is an ideal tank material because its lightness enables carriers to replace dead weight with profitable weight—payload! But until now, aluminum tanks have been designed just like steel tanks—a basic shell, reinforced by beams inside and out. Then one of our engineers had an idea. Why not use aluminum extrusions as primary structural members and make them an integral part of the tank shell—in effect build a tank shell that reinforces itself. This would eliminate cross welding and provide even greater strength while cutting weight—which is the ultimate aim in designing in aluminum. And to carriers it would mean added insurance against costly failures that result in leakage, downtime and loss. □ Such a tank—utilizing the *full* potential of aluminum—is now available from Trailmobile. It is another Trailmobile contribution to highway transportation progress.

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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
AUGUST 20, 1960



So far it has been an unpleasant August for Democrats. It's 11 weeks yet to Election Day, and there will be lots of political ups and downs for both parties. But this month can be rated a relatively bad one for Democrats, a relatively good one for the GOP.

Presidential nominee John F. Kennedy is being bruised. The extra session of Congress now seems almost certain to produce a record that will be far, far short of Kennedy's ambitions—and of several key promises in the Democratic Party platform.

Kennedy falls behind Vice-Pres. Nixon in popularity polls published this week, a development that had been foreshadowed by recent jiggings in gambling odds. At the outset, the gambling fraternity quoted the two contenders about even; now, Nixon is a slight favorite in the odds.

The religious issue is being fanned. Some North Carolina Democratic leaders think Kennedy's Roman Catholicism may be the biggest factor there in November. If it is, they think their state will go Republican. Texas politicians note that defamatory anti-Catholic advertising—paid for, but unsigned—is appearing steadily in small town daily and weekly newspapers.

Kennedy is at bay in Congress. Republican sharpshooting at the Democratic nominee is no surprise. It's a logical product of this politically supercharged session. But conservative Democrats, even in an election year, are showing Kennedy no political mercy. They were disappointed by his nomination, and they take pains now to proclaim their independence of him and his legislative desires.

Note some examples of Democratic "disaffection": Sen. Robert S. Kerr of Oklahoma, one of the original Lyndon Johnson-for-President brigade, played a key role in drafting the Finance Committee's bill on medical care for the aged. It bears little resemblance to what Kennedy wants (page 25) or what the Democratic platform promises. Conservative Southern Democrats spent hours in debate attacking Kennedy's pro-labor minimum wage bill. On the House side, Southern Democrats threatened to block his entire legislative program.

—•—

Kennedy people take this view in looking ahead: Things could be better than they are now, but the campaign has only begun. Their man is tough and durable, has had political bruises before, and has recovered. The religious issue is a "live" one, but Kennedy met it head-on in the West Virginia primary and came out well. He's prepared to face it again, wherever and whenever necessary. As of now, they do not accept the Nixon thesis that this Presidential election will be the closest of the century.

—•—

Here's why Nixon's position is more comfortable as of now: As Vice-President, he avoids the thick of the Congressional battle. He presides over the Senate but is not an active participant. He can neither introduce legislation nor speak out in legislative debate. He can be, and is being, attacked in political oratory from Democrats on the Senate floor, but the effectiveness of this is questionable. Nixon is not indelibly identified with details of any specific legislative program, whereas Kennedy and the Democrats are pushing specific items. Moreover, Democrats have the Congressional majorities and, therefore, will be held responsible for what is or is not accomplished at the Capitol.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
AUGUST 20, 1960

Pres. Eisenhower's main campaign efforts will be via television. The President doesn't particularly care about campaign travel, will do a minimum of it in behalf of the Nixon-Lodge ticket.

Two possibilities: Eisenhower appearances on regional TV network shows originating in Florida and Texas, an appearance as the star performer on one of the Republicans' nationwide half-hour TV shows, probably in the latter phase of the campaign.

The White House attitude about the campaign comes down to this: The President and his staff will help wherever asked. But they are not volunteering strategic advice or new ideas—and don't expect to be asked for any.

— • —

Drastic Social Security changes are being proposed in the Senate. These have received scant attention thus far, because they are overshadowed in the daily headlines by the gathering political fight about medical care for the aged. But the Finance Committee bill relating to medical care contains some fundamental proposals for liberalizing Social Security (page 25).

The major one: lowering the retirement age for men to 62. If enacted, this would put pressure on private pension plans to conform. Also, it would constitute a major victory for those who think the general U. S. retirement age eventually should be lowered to 60.

Other important proposals: Raising to \$1,800—from \$1,200—the annual limit on outside earnings by Social Security recipients, and removal of the requirement that recipients of disability payments be 50 or older.

The prospect: Biennial liberalization of Social Security is almost routine, but this year it looks doubtful. A legislative stalemate on the medical care issue, or a standoff between the White House and Congress on that problem, would also kill these Social Security amendments. Standing on their own, they probably would sail through to passage.

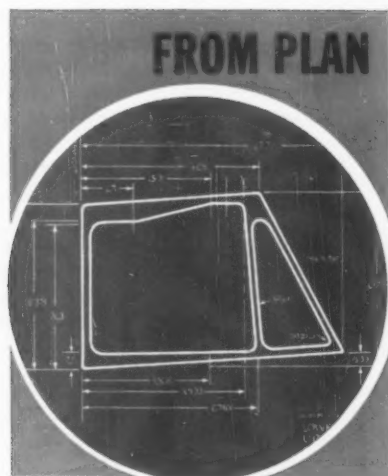
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A new report on the state of our missile program:

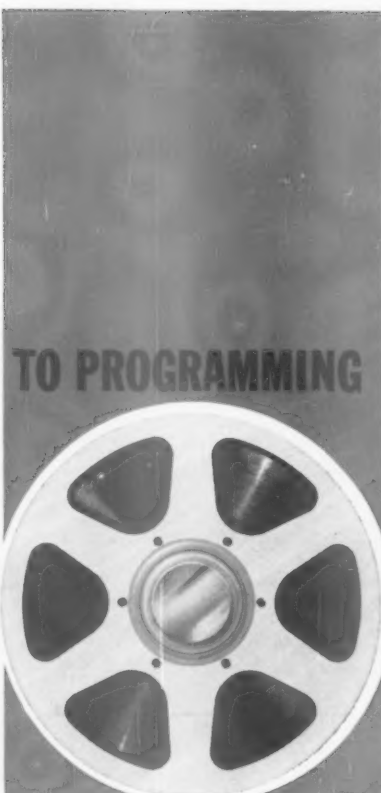
The immediate "bottleneck" is launching sites. The first four construction jobs on Atlas missile launching bases are three to six months behind schedule. This means we will have missiles ready that far ahead of the sites from which they could be fired.

Behind scenes at the Pentagon, a tug-of-war is under way for control of missile-base building. On one side are the Air Force and missile producers who want to take over direct control of base building and are using the delays to criticize the present system. The Army Corps of Engineers, which hardly has an equal in the political power it can muster in a federal construction controversy, is trimming its procedures in order to keep control of the \$1-billion base building program.

If the Air Force got control, it would institute negotiated contracting so that its officers and missile manufacturers could be in more direct charge. The Air generals blame the construction delay partly on the Army Engineers' system of open bidding and awarding to the lowest responsible bidder. The Corps is countering by putting more restrictive definitions on what makes a contractor eligible to bid on a missile-base job.



FROM PLAN



TO PROGRAMMING



TO PRODUCT

COMPLETE NUMERICAL CONTROL SERVICE FROM ROHR. Rohr Aircraft Corporation has established a complete, *in-plant* Numerical Control Department, offering a full range of services that can be tailored to any requirement. If you use numerically controlled machine tools, or recognize the method's superiority, this new service will interest you.

Rohr can provide complete service—tool planning, tool manufacture, part programming, computer processing, tape or card preparation, final part machining—or any part of the service separately.

If you own a machine, for example, Rohr will produce tape or card media from your plans. Or you may need to employ only computer or director service. Whatever your numerical control needs, this fully flexible service can meet them.

Rohr's recognized leadership in the use of numerically controlled machine tools and in programming stems from an early realization of the method's potential in production of uniform, close-tolerance parts. Studies began more than a decade ago—years before the first machines were built. Today, Rohr's complete facilities, practical experience, and highly trained staff combine to provide an unparalleled capability in numerical control.

A new brochure describes Rohr's numerical control services in detail.

Write Mr. A. R. Campbell, Sales Manager, Rohr Aircraft Corporation, Chula Vista, California.

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Missile's "Fast Draw" Starts



Cold-drawn Seamless Cuts Clean-up Costs For Anker-Holth's Power Cylinders

The Missile Age version of the "fast draw" starts with the lightning stroke of a power cylinder.

Big, 12-foot stroke hydraulic cylinders provide the power and speed that unsheath one of the nation's principal defense missiles for instantaneous action.

They're made by Anker-Holth Division of The Wellman Engineering Company from Pittsburgh Steel Company's commercial quality, carbon steel, Seamless Mechanical Tubing.

Mounted two to a unit, the husky cylinders must—within seconds, and without fail—slide back the two halves of the hangar-size missile shelter to release the weapon for firing.

Anker-Holth, of Port Huron, Mich., uses Pittsburgh Steel's Seamless Mechanical Tubing to manufacture this critical unit's outer cylinder and piston rod.

Relies on Pittsburgh—What makes this company rely on Pittsburgh Steel for the tubing it requires for this application?

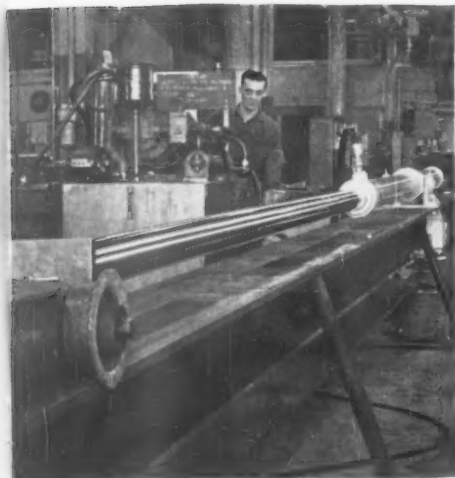
Fred J. Theisen, vice president-production, says there are several reasons. He explains:

"First is Pittsburgh Steel's service. They're able to give us information fast.

"On the first lot of tubing for this job, we asked all our suppliers for recommended sizes for cleanup to our finished dimensions. Pittsburgh

Piston rod made by Anker-Holth for launcher shelter's roof activating cylinder requires only minimum processing for cleanup with commercial quality Pittsburgh Steel Seamless Mechanical Tubing. Finished rods, 142" long, are plated with hard chrome. Vice president-Production Fred J. Theisen, (left) talking with Pittsburgh Steel salesman T. J. Whan, says Anker-Holth relies on Pittsburgh Steel tubing for this missile component.

With Pittsburgh Steel's Tubing



Final hydraulic testing on completed cylinders is comprised of 30 cycles at 4,500 psi—using special Anker-Holth testing equipment.



Fast service, straightness, and minimum stock removal convinced Anker-Holth that "Pittsburgh was best we could get for this job." Cylinder measures 5 inches by 4 inches by 143 inches. Anker-Holth specializes in power cylinders with bores from one to 48 inches, and strokes to 45 feet.

Steel's answer was in first, and it suggested less stock removal.

"That's important, and it's one reason Pittsburgh Steel stays with us. We ask them for size recommendations that we need for cleanup. They tell us the size, and they do it in a hurry. They don't wait around for a couple of months to reply.

"For another thing, when we first started production of this cylinder, we had a problem of straightness.

"I don't know how they did it, but Pittsburgh Steel came through with a batch of tubing I had never seen the equal of. Pittsburgh makes a quality tube. Straightness is the big thing—plus service and the amount of stock we must remove. With Pittsburgh Steel Seamless Tubes we don't need extra metal for honing—so we aren't paying for metal we don't use."

Experience Pays—Close attention to customers' needs and experience, plus steelmaking skills and production practices developed in nearly 50 years of seamless tube production, make Pittsburgh Steel able to serve Anker-Holth this way.

In this instance, Pittsburgh Steel's ability to produce commercial quality cold-drawn seamless mechanical tubing to exacting standards for straightness, concentricity and tolerances,

allows Anker-Holth to simplify its cleanup process of the cylinder's ID and centerless grinding of the piston rod's OD.

Machinability and weldability of Pittsburgh Steel's tubing are vital factors in Anker-Holth's production, too, because plugs, ports, sleeves, piston and end covers are threaded

and/or welded to the piston rod and cylinder in this application.

Contact one of the distributors or district sales offices listed below. Then let Pittsburgh Steel Company demonstrate its ability and readiness to help. You, too, will find that Pittsburgh Steel's tubing is the best you can get.

Pittsburgh Seamless Distributors

Baker Steel & Tube Company
Los Angeles, California
Chicago Tube & Iron Company
Chicago, Illinois
Cleveland Tool & Supply Co.
Cleveland, Ohio
Drummond, McCall & Co., Ltd.
Montreal, Quebec, Canada
Edgcomb Steel Company
Philadelphia, Pennsylvania
Gilmore Steel & Supply Co.
San Francisco, California
Earle M. Jorgensen Co.

Perry Kilsby, Inc.
Los Angeles, California
Mapes & Sprawl Steel Co.
Union, New Jersey
Metal Goods Corporation
St. Louis, Missouri
Miller Steel Company, Inc.
Hillside, New Jersey
A. B. Murray Co., Inc.
Elizabeth, New Jersey
C. A. Russell, Inc.
Houston, Texas

Ryerson, Joseph T. & Son, Inc.
Chicago, Illinois
Solar Steel Corporation
Cleveland, Ohio
Standard Tube Sales Corp.
Brooklyn, New York
Steel Sales Corporation
Chicago, Illinois
Tubular Sales
Detroit, Michigan
Ward Steel Co.
Boston, Massachusetts
Ward Steel Service Company
Dayton, Ohio

Pittsburgh Steel Company

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Pittsburgh 30, Pa.



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MANAGEMENT



TEAM TO RUN A TEAM—Eugene G. Fubini (with coat) of Airborne Instruments Laboratory has his own management team to run team of companies AIL heads. His aides include (left to right) Melvyn A. Saslow, Leroy C. Jacox, Lew H. Pighi, Harold J. Brownman.

How to Drive a Defense Team

A small outfit like Airborne Instruments needs all the wiles of diplomacy when it leads team of big ones on defense contract.

As soon as the Pentagon dangles a fat contract for a new weapons system, companies large and small start snapping at the bait. The giants of the defense industry may try to grab off the prize singlehanded, as straight prime contractors, but others prefer to run in a pack. One of the most enthusiastic proponents of the team approach is Eugene Fubini (picture), vice-president of research and systems at Airborne Instruments Laboratory—or AIL—a division of Cutler-Hammer, Inc.

Within minutes after one of AIL's Washington bloodhounds picks up a lead that bids will be asked on a new contract, Fubini is likely to be out of his coat and on the phone, coaxing top executives of companies bigger than his own to join in submitting part of a team bid, with Airborne as the leader.

• **Voice of Experience**—When Fubini makes such a telephone pitch these days in his excited, accented voice—a remnant of his Italian birth and education—other company brass are extra attentive. This isn't only out of respect for his long experience in military electronics and membership on half a dozen or more top government scientific advisory

bodies, but also because of the way he has run one of the biggest team contracts given out by the Air Force to date.

This project, called USD-7, is an airborne electronic reconnaissance system with a cost of about \$39-million, which Fubini has been managing at Airborne for two years. The other members of the team are Aerojet-General Corp., Raytheon Co., Sperry Gyroscope Co., Sylvania Electric Products, Inc., Ling-Temco Electronics, Inc., and Filtron Co., Inc. Only the last one is smaller than AIL and its parent company, Cutler-Hammer.

• **Captain's Role**—While team bidding is fairly common, the government does not really recognize it legally, and insists that the team captain has the responsibility of a prime contractor. From its point of view, the other team members are subcontractors. But they are not run of the mill subcontractors; their participation is an integral part of the team captain's contract award. In some recent contracts, however, the government has insisted on reopening bids for parts of a team contract after the captain has been selected.

Though the team contract idea is somewhat nebulous, it does impose very real problems on the team manager who is running the project. He cannot switch team members as a regular prime contractor can juggle subcontractors. While

he can crack the whip on costs and schedules more readily than on technical matters, he has to be something of a diplomat. After all there will be other contracts, and he will be trying to collect teams for them.

• **AIL's Method**—When the USD-7 project started up in 1958, Fubini decided that the best way to keep track of what the other team members were doing, at facilities spread out from Long Island to Los Angeles, was to set up a management group (picture, page 45) virtually separate from AIL's regular corporate management structure. In the last two years, the organization and the men who run it have earned the enthusiastic applause of their customer, the Air Force, for the way they have kept the project on schedule, juggled the other team members' shifting budgets, and maintained friendly relationships with government contract negotiators.

Says Elbert W. Piety, chief of the Reconnaissance Systems Branch of the Air Research & Development Command: "We have been rather fortunate in the selection of Airborne." He adds that AIL's relationship with the Air Force is "the closest I've ever seen." Dennis Jones, contracting executive with the Air Materiel Command, joins in praising the way Airborne has handled the team management job.

Fubini and Airborne have earned this praise by using a management scheme

A. P. GREEN REFRACTORIES SERVE THE WORLD'S INDUSTRIES

Many FORDS
begin with
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The stack of this Ford Motor Co. blast furnace was recently lined with almost 25 railroad carloads of A. P. Green refractories.



Huge Ford blast furnaces produce the iron from which Ford steel is made. They must be lined with special heat resistant refractories.

In keeping with Ford's policy of using only highest quality materials to produce automobiles of highest quality, the stack of this blast furnace was recently lined with A. P. Green refractories ... some 25 railroad carloads were required.

For increased production through longer refractory life in your plant, contact your nearby A. P. Green sales office or distributor. See the yellow pages of your telephone directory, or write:

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Manufacturers of a complete line of high quality refractories including fire clay, high alumina, semi-silica, silica, mullite, silicon carbide, zircon, and basic products.

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In golf, a poor lie can mean a lost game. In plant location, a poor site can mean lost millions. To give you a true picture of its territory, the N&W has engaged Fantus Area Research to make a comprehensive evaluation of its 6-state territory . . . most extensive and penetrating study of its kind ever made. Fantus sifts, weighs and interprets the facts — gives an unbiased, scientific analysis that shows positively whether your plant can make more money in N&W territory.

READY SOON — the first detailed Fantus analysis. Watch for announcement. Norfolk and Western Railway, Roanoke, Va.

N&W

Nation's Going-est Railroad

that is double-pronged: It carefully alternates carrot and stick techniques, and it's aware of the corporate personality of each team member and how to manipulate it. While these methods are part of the stock-in-trade of almost any successful manager, a small outfit handling giants has to be extra precise in their use.

• **Kid Gloves**—A good example of Fubini's management technique is his handling of the tendency of some team members to overdesign their part of the project. Their reasons vary from scientific zeal to an attempt to develop equipment usable on other company projects. For example, one of Airborne's partners tried to build a piece of equipment that was many times better than needed and would have commercial applications in the communications industry. AIL sent in a specialist who evaluated the design and estimated it would add \$1-million to the project, and hold up completion for six months. Faced with this, the company backed down and met Airborne's specifications.

If Fubini had tried to ram AIL's suggestions down the team member's throat or had hinted that the company might be thinking of a commercial project, the team member would probably have fought back hard.

Another company wanted to move its part of the project from one of its divisions to another on the other side of the country. This would have meant a change in personnel and added problems for others on the project. Fubini's approach was to show the company how damaging the change would be, then horse-trade it into shifting only part of the job and postponing the rest of the move for a year.

• **Breaking Paper Barriers**—When it comes to details, the USD-7 management team tries to prevent the required flood of paper work from slowing things down. Wherever possible, decisions are made face-to-face, according to Richard N. Close, AIL's project manager. Then the necessary forms are filled out in quadruplicate. "Telephone calls and letters do more to confuse things than they solve," he adds. Day-to-day instructions and reports go out over a country-wide Teletype network.

Another technique the AIL management group uses to follow up detailed reports—these come cascading in from every company almost daily—is to make visits at least every month to all team members' facilities. Trips are regularly made by Melvyn Saslow, project business manager; Harold Brownman, engineering manager; AIL's technical specialists; and Benjamin Chong, the Air Force's manager on the project. After scheduled conferences, the AIL visitors wander around drawing boards and laboratories asking questions. Though the method seems inefficient,

they have caught problems before these showed up on reports.

• **Handling the Big Fellows**—Even though the USD-7 management group is dealing with several big companies, it tries to get problems solved on the lower working levels instead of running to team members' brass. So far Fubini has had only three meetings with team members at the vice-president level, and these were to thrash out over-all policy and budgetary matters.

Often, his approach to some of AIL's bigger partners involves ticklish points, as in the case of the container design of various components in the system. Knowing that each company had rather rigid packaging standards that it could find technical reasons to fight for, AIL hesitated to insist on one set of specifications. Instead, it called each company's packaging specialist to a meeting and blandly asked if some kind of standardization were needed. They all agreed and worked out a set of compromises—which were almost immediately repudiated by their companies.

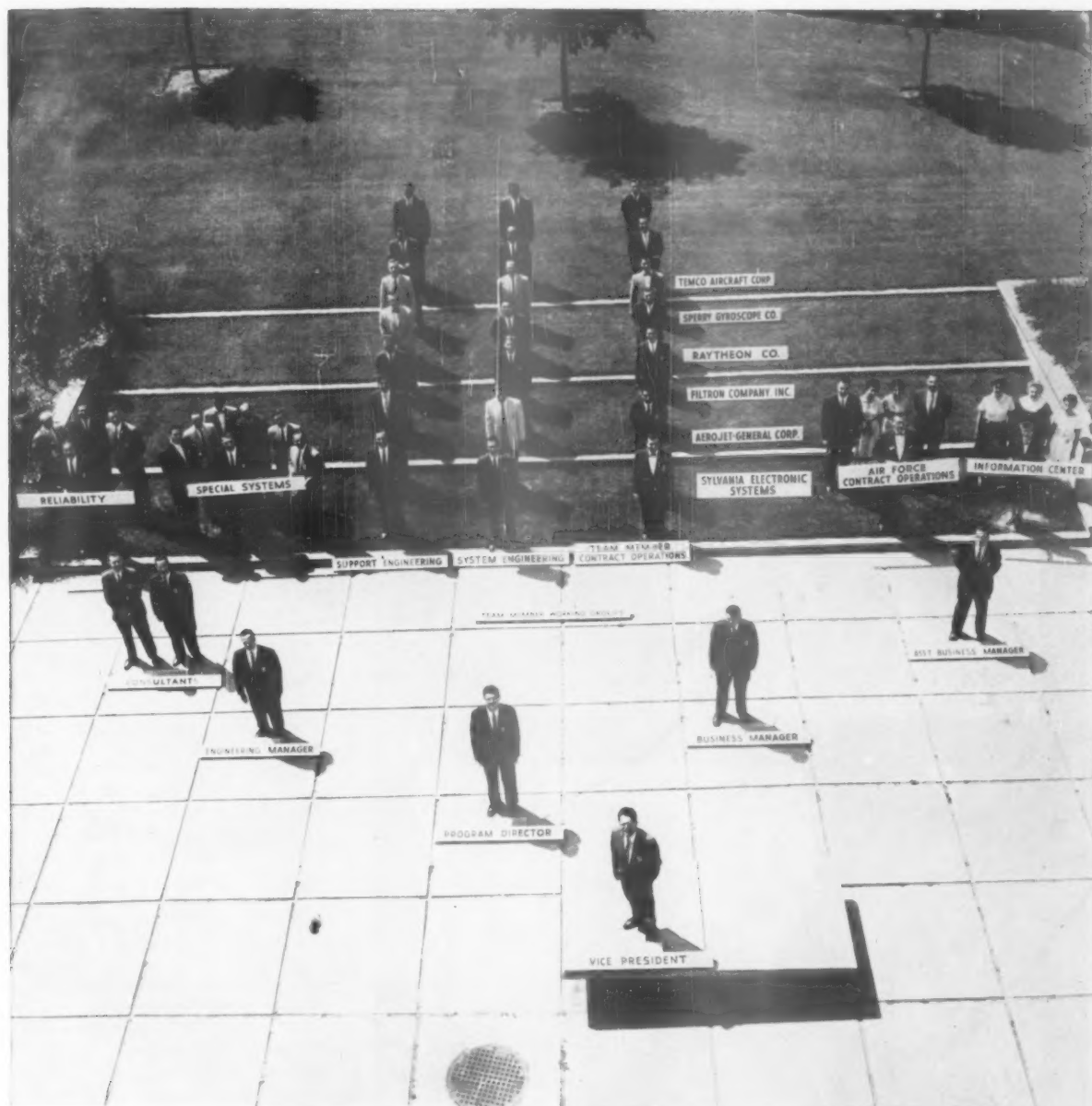
At the next meeting most of the immediate superiors of the packaging specialists appeared. Once again, the question was asked whether standardization was needed. They reluctantly had to agree, and thrashed out compromises.

• **Money Matters**—On budgetary and schedule matters, the leader of a team project must be more arbitrary than on technical factors. Fubini insists that the over-all guidance and responsibility is his. "I hate people who pass the buck," he says. But even in dividing up contract dollars, AIL has developed ways to cut down the arguments.

Last year, when the Air Force was calculating its fiscal 1960 budget, it notified AIL of a cut in USD-7 appropriations. Fubini quickly evaluated the effect of several possible appropriation cuts. Three days after the official re-funding letter was received, he told each team member how much it was going to get—instead of giving the companies time to come up with proposals on how much they should get.

• **Power of the Purser**—Sometimes AIL must arbitrarily use its control of the purse strings to force companies to consider other team members' problems. A prime example of this occurred when the company responsible for test equipment complained that the other companies' engineers were not worrying enough about testing requirements.

In a routine manner, AIL informed each team member that one of the requirements for receiving quarterly payments was having the test equipment fully designed, and set up a procedure that gave the test equipment maker the responsibility of stating whether or not test requirements were met. This automatically insured more



Two-Way Organization Keeps AIL's Defense Team in Harness

Eugene Fubini, Airborne Instruments Laboratory vice-president, set up the organization above to manage the USD-7 electronic reconnaissance system being developed by an industry team headed by AIL. The heart of the system is represented by the 21 men lined up in three files and seven rows at the back of the picture.

The seven crosswise rows of three men each are the Team Member Working Groups representing the companies on AIL's team (the back row, for example, represents Temco Aircraft, now merged into Ling-

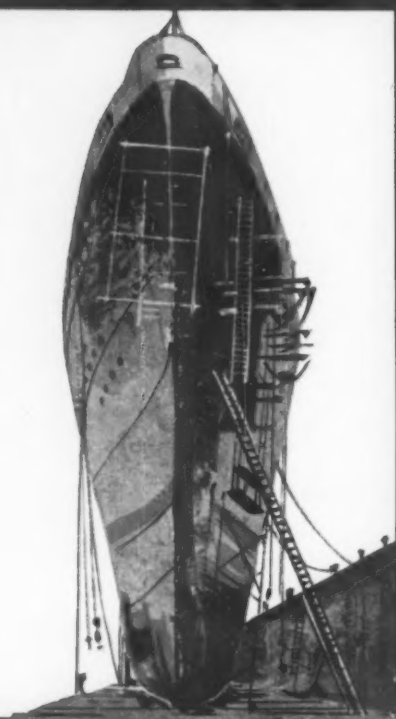
Temco Electronics, Inc.). The three-man groups are made up of one each from the company's support engineering, system engineering, and contract operations departments. Each group acts as a communications link between its company and the rest of the project staff.

The same 21 men divide up by function into three specialty committees—represented by the three long files—which meet regularly to take up problems in the three areas that the team member groups can't settle, such as disputes where one

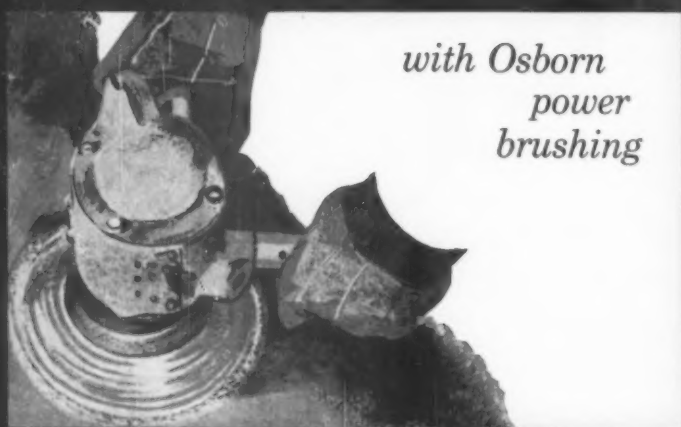
company's engineers insist on designing a feature in their part of the equipment that interferes with the design plans of other team companies.

Questions that can't be taken care of through these company or functional groups are bucked up to the Managers' Program Review Committee, made up of the heads of each specialty department. Problems beyond its responsibility go on up through the engineering or business manager to the program director or, if necessary, to Vice-Pres Fubini.

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efficient communications between each team member and the company responsible for test equipment.

• **Partners' Personalities**—AIL's management people handling the USD-7 program have a greater opportunity than most executives to observe the day-by-day workings of outside companies. Their observations give interesting clues to what companies are really like when you dig under their corporate image.

When pressed, Fubini and other AIL executives can give thumbnail sketches of companies on their team—though they don't go so far as to identify them. They agree that one of the biggest team members is a bug on contract terms. In answer to any complaint, this company is sure to say: "It's your fault. You put it in the specifications, not us." Executives of another team member when asked in for a conference usually reply: "Let's go out and have four or five drinks, and talk it over."

AIL feels one of its partners is pretty much in an ivory tower. If this company voiced its philosophy, AIL is sure it would be something like: "It's so pleasant here in the sunshine, why worry about it, we'll muddle through."

• **Top Problems**—Summing up the tasks in running a team project, Fubini points to three major problems:

• **Communications.** This is the major problem, he says. In addition to all of the exchange of information within the project by his management group, Fubini estimates that he spends about 80% of his time as a link between the project and the Air Force.

• **Keeping the engineers creative** while retaining the basic goals set by the government and living within the "state of the art." That means keeping the engineers happy while holding to techniques that are usable now.

• **Acting as a management consultant** for team members that run into problems on the project.

• **Advantages**—In spite of all the intricate problems involved, Fubini and his management staff feel that the team concept is an efficient way to develop weapons systems. The Air Force agrees, although officially it does not take a position on how future contracts are likely to be set up.

Moreover, although the methods of running team projects are not spelled out in any legal way, Air Force contracting officers recognize that the system works. According to the Air Materiel Command's Dennis Jones, the team concept "boosts morale of the subcontractors and makes them feel they are getting a little better treatment." Jones also points out that team bids are a big time-saver, because they are usually awarded for a complete start-to-finish job including design study, development and fabrication. **END**

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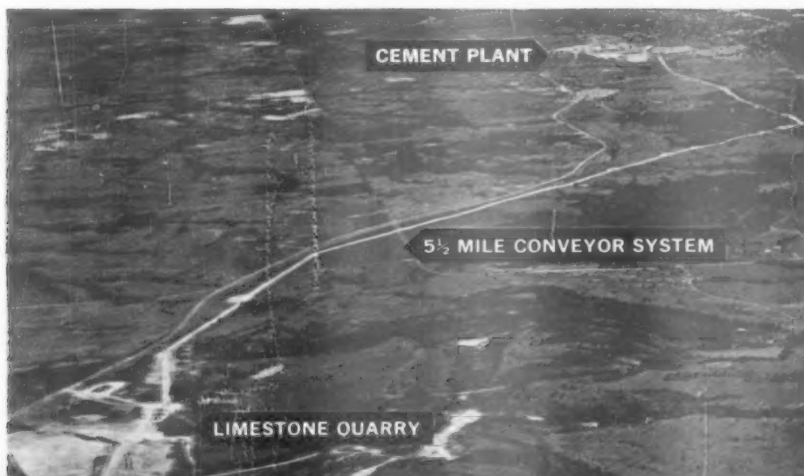


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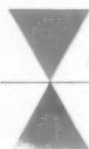
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NEW PRODUCTS

Adjustable Propeller Ups Efficiency

The picture shows a scale model of a novel aircraft propeller after tests at the wind tunnel of United Aircraft's research labs in East Hartford, Conn.

Designed by Hamilton Standard Div. of United, it is the first prop that has adjustable camber, according to the company. Camber—or surface curvature—of propeller blades is necessary to create thrust, just as the curved airfoil of an airplane wing is necessary for lift. The more the blades are curved, the more thrust is obtained at low speeds. But a lot of camber, which is desirable during take-off, makes the propeller inefficient at high speeds, because it increases drag.

Historically, aeronautical engineers have compromised and designed propellers that give enough thrust for the initial climb, but still don't interfere much with cruising. This works fine for the conventional piston-driven planes, such as the DC-6.

But, says Hamilton, with the faster turboprop planes or with helicopters and other vertical take-off craft, forces built up by wind resistance to prop curvature can severely cut cruising performance efficiency. Thus the need to be able to flatten the prop after take-off.

William E. Diefenderfer, engineering manager of the company, points out that the new prop could make big differences in the performance of these types of aircraft. He claims it will boost the range of high-speed transport planes as much as 30%, up the cargo capacity of vertical take-off craft 50%.



It could also mean much shorter runway requirements for the turboprops.

As the picture shows, Hamilton mounts six (or eight) blades on a hub in pairs. One of each pair is set behind the other, and the two are slightly staggered. Thus, a pair of blades form, in effect, a single airfoil surface. When the angles at which the front and rear blades meet the air are altered, the overall camber changes to increase or decrease thrust.

While a Navy contract is financing further development work now under way on the new prop, Hamilton Standard has its eyes on commercial applications.



Now the Compacts Include Four-Ton Trucks

A compact semi-trailer with four-ton capacity, introduced by Wells Cargo, Inc., of Elkhart, Ind., is the latest addition to the trend toward smaller, lighter, and more maneuverable trucks. The little semi, which is built in lengths from 20 to 30 ft., was designed for

pickup and delivery work in congested areas and for short-haul runs.

For hauling the compact trailer, a 1-ton pickup truck can be equipped with a regular fifth wheel unit. The trailer has four-wheel electric brakes, which are operated from the cab. Sev-

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eral size options are available, including 7-or 8-ft. widths, and bodies higher than the trailer's standard 6 ft. 9 in. inside dimension are produced on special order.

Price for the little trailers start at \$2,145 for the 20-ft. standard-length model.

NEW PRODUCTS BRIEFS

A new plastic film is being manufactured from styrene foam by Monsanto Chemical Co.'s Plastic Div. Monsanto says the new film has the appearance and feel of kidskin, is both waterproof and grease-resistant. It also resists heat, takes embossing well. The company foresees a wide range of applications such as package linings and wrapping, disposable place mats, greeting cards. The film, priced to be competitive with paper, costs \$4 to \$7 per 1,000 sq. ft.

A new collapsible container for transporting goods has been announced by Highway Trailer Industries, Inc. When the container is not in use, its cylindrical body, made from a plastic-coated fabric, collapses into the plastic top and bottom shells. A disposable inner lining makes it possible for the container to carry, interchangeably, such widely different commodities as fertilizers and dairy products, without risk of contaminating them.

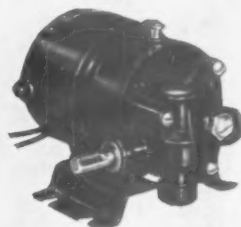
An internal communications switchboard that's easily expandable without even a soldering iron is being marketed by Dictograph Products Co. The basic switchboard, priced at \$2,500, has 60 stations and eight links. Use of plug-in relay sets and connecting cables can expand it up to 240 stations and 32 links, at a total cost of \$14,000.

Goodyear Aircraft Corp. makes aluminum composite panels that, it claims, weigh only about half as much as sheet aluminum of the same gauge but are equally rigid. Aluminum-foil honeycomb is sandwiched between very thin aluminum facings, using a bonding material (which Goodyear won't name) diffused throughout the honeycomb. Panels can be formed by cold rolling—the first time this has been possible with a composite construction material, according to Goodyear.

A new electronic control unit for commercial laundry drying machines measures moisture content of fabrics, stops drier automatically to prevent scorching or to retain dampness for ironing. The attendant simply presses a button to select one of six moisture retention levels. It is made by T. L. Smith Co., Milwaukee.

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Special Electron-Beam Furnace Makes Tough Metals Less Brittle

Among refractory metals, tungsten and molybdenum are two of the toughest to fabricate from cast ingot because of their brittleness. Last week, Stauffer-Temescal Co.—which blames this brittleness on the traditionally large, tight crystal structure of the metals—announced a method for shrinking these crystals. This makes the pure metals easier to work and increases shock resistance once they're fabricated, S-T claims.

It's all done with electron-beam melting and critical composition control carried out in a special electron-beam furnace. This is basically a high-vacuum chamber. In it, electrons are passed through a coil and a beam focused on the end of the crude metal bar or ingot placed in the chamber. As the bar melts, the molten metal drips down by gravity into a water-cooled crucible, where it solidifies into the ingot. In the melting process, S-T says all the impurities are vaporized and drawn off in the vacuum. To get this extremely high vacuum, S-T had to design its own, special furnace valves, pumps, and the like.

In conventionally produced refractory metals, the crystals are so large and so tightly squeezed together that a single, small crack starting along the edge of a crystal can lengthen out quickly by following the common plane of several adjacent crystals. Reduction of grain size gives the metal more of a random crystal structure and breaks up these common planes.

This adds up to improved ultimate strength in the metal's annealed condition, and a reduction in the amount of cold forging or cold rolling needed with the finished ingot, says S-T. Molybdenum cast by this process also requires no extrusion before it's forged in a closed-die forge.

Stauffer-Temescal, a wholly owned subsidiary of Stauffer Chemical Co., says it has successfully reduced the grain size in tungsten and molybdenum ingots, as well as in a number of refractory metal alloys. Patents covering the electron-beam technique used in the process are pending in the U.S. and 33 foreign countries.

• • •

Ford Motor Co. Builds Plant To Make Oxygen for Its Steel Mills

Ford Motor Co., which has long been producing half the steel it uses, will begin generating the oxygen next year for its open hearths.

A new, large-capacity oxygen plant—the country's first low-pressure plant of its size to produce both gaseous and liquid oxygen simultaneously—will be built by Dravo Corp. for Ford's Steel Div. in Dearborn, Mich. It will be owned and operated by Ford, and will have a daily production of 280 tons of gaseous oxygen, 10 tons of liquid oxygen, and almost 1½ tons of liquid nitrogen.

Most other low-pressure plants this large are not equipped to make liquid oxygen at the same time.

Besides production of open-hearth steels, the gaseous oxygen will be used by Ford for general mill applications, such as removing surface flaws on ingots and trimming strip. The liquid oxygen will be kept as a standby reserve, to be vaporized into gaseous oxygen when the plant is shut down for "defrosting" every one or two years. The liquid nitrogen will be used in manufacturing—for instance, for cooling metals in "shrink fitting" where one part is fitted inside another.

Dravo's oxygen-generating system is a development of Linde AG of West Germany, from which Dravo acquired the exclusive U.S. process and equipment distribution rights for the steel industry. More than 200 of these plants, with widely varying capacities, are now in operation around the world.

• • •

"Powder-Lancing" Demolishes Buildings Faster, With Less Noise and Dust

A new "powder-lancing" technique for demolishing buildings that does away with the noisy and dusty iron ball and jackhammers has been developed by Linde Co., a division of Union Carbide Corp.

Powder-lancing is a way of cutting through concrete and other materials that uses powdered metals burning in oxygen as a source of heat and abrasion. It operates without noise or vibration. A length of ordinary black iron pipe is fitted into the mixing nozzle. Hoses connect the lance with a supply of oxygen and a supply of iron and aluminum powder. To get through a wall, the end of the pipe is heated with a normal welding torch; then the powder and oxygen mixture flows through the pipe and ignites. The hot flame and alumina and iron oxide particles will cut through almost any material, according to Linde.

This high-temperature reaction, says Linde, will melt concrete and other ferrous and nonferrous materials. The cost runs a little more than conventional demolition methods, but the portability of the equipment and speed of the process are supposed to offset the added expense.

• • •

Westinghouse Plans Power Transformer 50% More Potent Than Today's Best

The world's largest power transformer with 50% more capacity than any transformer now in use will be made by Westinghouse Electric Corp. at a new plant being built in Muncie, Ind.

The 600,000-kilovolt-ampere transformer will weigh about 300 tons and will be 26 ft. long, 20 ft. deep, 24½ ft. high. The largest transformer now in operation is a 400,000-kva. unit, built by Westinghouse at its Sharon (Pa.) plant.

Production at the Muncie plant will begin late next year, with delivery of the giant transformer to a Midwest utility expected in mid-1962. The transformer, now only in the design stage, will raise the utility's generated voltage from 20,000 to 138,000 volts.

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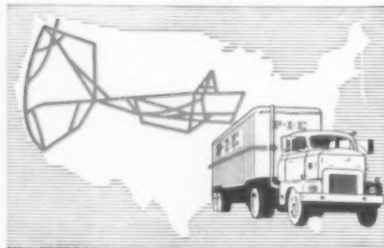


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FINANCE

The Independents Find It Hard to Remain So

With economic pressures mounting, the thousands of small telephone companies that operate outside the Bell System may be forced to merge into regional holding companies in order to survive.

If Sen. John F. Kennedy has his way, and the minimum wage is boosted to \$1.25 and extended to cover some 5-million additional workers, the economic impact will be broad. Perhaps no industry will feel it more than the nation's 3,000-odd independent telephone companies that operate outside the American Telephone & Telegraph Co. system.

Should Kennedy's proposal become law—which isn't at all assured—about 41,000 telephone operators would come under minimum wage coverage for the first time. Starting in 1961, they would have to be paid \$1 an hour, with gradual increases to \$1.25 in 1964. That doesn't sound very spectacular, but the impact on independent telephone companies would be serious nonetheless.

Some independent telephone companies are very large. General Telephone & Electronics Corp., for example, supplies service, manufactures equipment, and has assets of over \$1.8-billion. For such companies, the wage law would not be a problem.

But most of the independent telephone companies are extremely small. Independent telephone men, who had bitterly opposed the bill, claimed that a substantial number of independents that would be affected by the bill don't produce enough in gross revenues to keep a telephone operator on duty 24 hours a day at the minimum wage. Even some of the larger companies—the House version of the measure excludes any company with less than 750 telephones—may have trouble footing the bill.

• **Merger Movement**—To meet this new financial pressure, the independent telephone companies undoubtedly will be inclined toward mergers—a trend that has been long in progress. The merger wave has reduced the number of telephone companies from 5,500 in 1950 to less than 3,400 today—a decline of over 35% (chart, page 55).

Economic pressure was the chief force behind this merger trend, with the main spark coming from the need to convert to automatic dial service.

Automatic dialing, which requires expensive equipment, is growing at a rapid pace. (In 1950 only 62% of General Telephone's service was dial; today it's over 90% dial). This has meant a big demand for both capital and technical training. For the small companies, both have been hard to come by. So merger into larger and financially stronger units that can afford technological and management know-how has been the logical solution.

This merger movement has been promoted by the major manufacturers of telephone equipment, for it is in their self-interest for their customers to enjoy financial health. This is particularly the case for the three big suppliers other than General Telephone or AT&T—Stromberg-Carlson Div. of General Dynamics Corp., Kellogg Switchboard & Supply Co. (a division of International Telephone & Telegraph), and North Electric Co. (owned by Sweden's L. M. Ericsson Telephone Co.).

These three suppliers have been working quietly behind the scenes, encouraging mergers among the independents to keep them out of General's hands, for they lose an actual or potential customer every time a company joins the General Telephone system. General Telephone, through Automatic Electric Co. and two other subsidiaries, already controls a big chunk of the independent market for equipment. AT&T, of course, supplies its own needs through Western Electric, and is rarely willing to sell to the independent companies.

• **Rural Service**—Most independent telephone companies are located in rural areas, or in small cities. That's because AT&T, while providing telephone service in many sparsely settled communities, has from its very beginning in the late 1870s concentrated on developing business in urban communities where the profit potential is greatest. Thus, the independents have only 15% of the total telephones in use in the U.S., although they serve over half the geographical area.

A well-run independent telephone

The U.S. Telephone Industry:

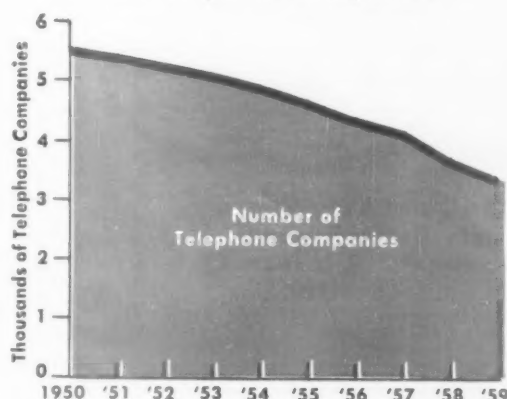
**A steady growth
in the number of telephones . . .**

Year	(in thousands)			Total Telephones
	Bell System *	General Telephone	All Other Telephone Cos.	
1950	36,795	1,306	5,068	43,170
1951	38,943	1,404	5,476	45,822
1952	41,014	1,527	5,713	48,255
1953	43,010	1,680	5,897	50,587
1954	45,039	1,804	6,192	53,040
1955	48,028	2,567	5,894	56,490
1956	51,344	2,799	6,313	60,455
1957	54,241	3,359	6,313	63,913
1958	56,759	3,598	6,587	66,944
1959	60,110	3,913	6,796	70,819

* Including Southern New England Telephone Co., the Cincinnati & Suburban Bell Telephone Co., and Bell System service telephones

Data: U.S. Independent Telephone Assn.; Telephony Publishing Corp.

**. . . But a rapid decline
in telephone companies**



©BUSINESS WEEK

company can be quite profitable, though of course, the rate of return is controlled by state regulatory commissions and the Federal Communications Commission. According to the U.S. Independent Telephone Assn., the independents earned 6.2% on the depreciated value of their plant in 1958. The rate of return on equity and retained earnings, however, was equal to 9.2%.

Regulatory commissions tend to take a "friendly" attitude toward the small independents, and grant them a rate of return that's somewhat above that granted to larger telephone companies in the same state. In a few instances, professional telephone men have bought backwoods telephone companies at bargain prices, and by aggressively seeking rate increases have been able to sell out at a substantial and quick profit.

• **Unsophisticated Operation**—In a corporate sense, the small independent telephone company is most frequently a very primitive affair. Sometimes, it amounts to a "Mom and Pop" operation—with Mom working as operator and bookkeeper and Pop as lineman, maintenance man, and installer. The switchboard frequently is located in the bedroom, to make it easier to answer calls at night. If the folks happen to be out of the house, the kids take over.

Financially, the small independent is no more sophisticated. The owner's personal bank account in many cases serves the company as well; if there's more in the bank at the end of the year than there was at the beginning, the independent figures it has made a profit.

But despite their small size, the independent telephone companies in the aggregate are substantial consumers of

telephone equipment. Kellogg Switchboard estimates that the gross construction budgets of the independents—other than General Telephone—run about \$500-million a year.

In this era of microwave relays, electronic switching, and direct distance dialing, the small independent operation often adds up to inadequate telephone service. Most managements of small independent telephone companies have been under strong pressure from local subscribers to modernize their plants and put local service on a par with what's found in the big metropolitan areas.

• **Regional Integration**—The independent managements have taken several courses. Some have merged with the large independent holding company systems. In the past 10 years, for example, General Telephone has acquired seven large companies and a number of small ones, amassing a total of 1.1-million new telephones. United Utilities, Inc., the next largest holding company with over 467,000 telephones in operation, also has been acquiring independents, though at a lower rate. (Merger negotiations between General and United, incidentally, have broken down several times. General says that there's "no chance" of a merger between the two companies at present.)

The smaller independents also have been combining among themselves, forming their own regional holding companies. In Ohio, Mid-Continent Telephone Corp. is in the process of completing an exchange of shares for those of five independent companies. When Mid-Continent goes into operation as a new corporate entity, it will have 50,000 telephones in service.

In Kansas, five independents got together in order to provide communications services for nine Atlas missile sites that are located within 50 miles of Topeka. This merger was set up by Kellogg Switchboard, which has the contract to supply equipment for the job. And in Dryden, N. Y., Independent Telephone Corp. now either owns or is affiliated with 12 other telephone companies, has \$6-million in assets, and has over 20,000 telephones.

• **Going It Alone**—But some independents are choosing to try to go it alone. For a few, this will be no problem. Rochester (N. Y.) Telephone Corp., for example, the largest of the independents that is not connected with any holding company system, has \$85-million in assets and almost 300,000 phones.

Rochester is an exception. Most of those that would like to remain independent don't have adequate funds and have a hard time raising money.

• **Money Sources**—In order to modernize and expand, they have to go out hunting for funds. There are a number of credit sources available:

• **Automatic Electric, Stromberg, Kellogg, and North** all have credit subsidiaries that provide financing. This can be either for interim periods during construction, or on a long-term basis of up to 25 years.

• **A few life insurance companies** have made a specialty of lending to the telephone industry, with Phoenix Mutual Life Insurance Co. of Hartford in the vanguard. Phoenix officials say that in spite of the small size of the companies to which they lend, losses have been zero. "There's something inherently stable about the telephone



At Cummins' new test facility.

It's Quiet Even When Every Diesel Engine In the Plant Is Run At Full Throttle

When Cummins Engine Co., Inc., planned its ultra-modern, multi-million-dollar test facility at Columbus, Ind., naturally one of the major considerations was noise. Imagine an entire building full of Diesel engines — all running wide open!

In the new plant, Cummins tests production engines as they come off the line prior to shipment. Each Diesel engine is spotted in a three-sided glazed tile dynamometer test cell and quick-coupled to flexible piping connected to a Type STC-6 Burgess-Manning High-Pressure Exhaust Silencer permanently mounted on the roof of the building. Cummins required snubbers that were capable of a wide C.F.M. loading, that would stand up under constant service, and would do an optimum silencing job.

The latter requirement was especially critical because there is a residential area across the street from the new plant and Cummins is the only commercial facility in the neighborhood. Needless to say, the Burgess-Manning Silencers are performing as predicted, and the new Diesel engine plant is not a noisy neighbor by any means.

Do you have a noise problem caused by the exhaust or intake of engines, blowers, pumps, compressors, etc.? Whether it's in a new plant like Cummins' or an existing installation, call The Sound Engineering People. Your inquiry will be handled promptly, there is no obligation, and we are pretty sure we can help you, too, because we've never failed to solve a noise problem yet!

Also available are Burgess-Manning Snubbers for Pulsation and Vibration • Spark Arresting • Water Separation • Waste Heat Recovery • Air Intake and Air Filtering • Combination Units. Write for literature.

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business," says one Phoenix vice-president.

• **The Rural Electrification Administration** will lend money to rural telephone companies at 2% to finance improvement and expansion of telephone service. By the end of 1958, REA had approved loans totaling \$526-million, which eventually will result in about 500,000 new subscribers.

REA, however, normally won't lend to companies with less than 1,000 telephones in service—and there were 2,520 such companies at the end of 1959. REA also requires that all equipment purchased with funds it lends be bought at competitive bidding. So, any company that already has started conversion to dial service can't take a chance on putting its business up for competitive bidding. That's because it's almost impossible to interconnect central office switching equipment from different manufacturers.

• **Credit Subsidiaries**—Most of these small independents with less than 1,000 telephones are turning to the credit subsidiaries of the equipment manufacturers. They all operate on pretty much the same basis. General Telephone Credit Corp. is typical. It does most of its financing on an unsecured basis, at rates from 5½% to 6½%, depending on the amount of money involved and the length of the loan. Generally, these rates are slightly above what the telephone company could get from its local bank, but there aren't any compensating balances required, which make the actual cost of bank borrowing more expensive.

• **Management Services**—But financing and advice on mergers aren't the only services that the credit companies give to the independents. According to Philip J. Lucier, manager of Stromberg's Telephone Finance Department, the small independent companies frequently haven't been keeping proper books and records. This may have prevented them from requesting needed rate increases from state regulatory commissions. "We have to go in and set up their books, from the ground up," says Lucier. The other telephone suppliers, including AT&T, also offer the independents the same sort of management consulting and accounting services.

It's clear that as time goes on, the merger trend among the independents is bound to pick up as economic pressures increase. The question is, how far it will go. Lucier, among others, thinks that the telephone industry could be healthy with about 1,000 companies, one-third of the present number. A spokesman for General Telephone thinks that the number should drop to 15 or 20. "Any company with less than 10,000 telephones is uneconomic," he says. **END**

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In Finance

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Amerace Corp. Sells Bachmann Uxbridge

Because of Drain on Its Profits

Amerace Corp., whose 1959 sales of \$55-million came from a wide assortment of products, including combs, molding, insulated wire, textiles, and bowling balls, last week sold off its Bachmann Uxbridge Worsted Co. division for about \$10-million in cash. Bachmann Uxbridge accounted for over half of Amerace's sales, but has been losing money heavily in the last six months. In the process, it has dragged down the profits of Amerace's other, highly profitable divisions.

The purchaser of Bachmann Uxbridge is Indian Head Mills, Inc., whose president, James E. Robinson, has a reputation for dealing profitably with difficult tax-loss situations.

Disposition of Bachmann should bring a big boost to Amerace profits. In the first half, the company reported net income of \$1.47 per share on the 610,000 shares outstanding; if it had not been for losses of about \$1.15 from Bachmann, the company figures that it would have earned \$2.62. It predicts similar earnings for the rest of 1960. Moreover, due to tax losses connected with the sale, Amerace probably won't have to pay any federal income tax this year.

Victor T. Norton, president of Amerace, admits that he and his board of directors made a "serious mistake" in merging with Bachman three years ago.

Norton now says that things are "going great guns." He says sales are up 17% this year over last if you leave out Bachmann. Profits should keep pace as well, now that a new bowling-ball plant—built in just 158 days—is coming on stream. The company also has considerable cash to invest, although Norton refuses to divulge what Amerace may do with it.

• • •

Phillips Extends Its Stockholdings

In Union Oil; Gulf Holds Still More

A giant takeover battle may be looming between Phillips Petroleum Co. and Gulf Oil Corp. over control of Union Oil Co. of California. Phillips, which has been buying Union Oil stock in the open market for the past 10 months, has acquired more than 14% of Union Oil's 8.5-million outstanding shares. Gulf, meanwhile, holds \$120-million of Union Oil's debentures, convertible into about 22% of the West Coast company's common.

Phillips says its purchase of 1,196,400 shares of Union Oil stock is for investment purposes only. But oilmen feel there's more in the wind than that—neither Gulf nor Phillips today has any large interests on the West Coast, and Union Oil is a fairly rich prize. Its \$707-million in assets puts it in 15th spot in the industry; it markets its products through a network of 497 wholesale bulk plants, and it has six refineries that have a daily capacity of 188,800 bbl.

What trustbusters will say about any company's take-

over of Union Oil is open to question. Justice Dept. has been hot to break up oil consolidations, but so far it says the Union Oil situation comes under the jurisdiction of the Federal Trade Commission, which also is taking a hands-off attitude.

• • •

Lockheed Charges Off \$68-Million

In Move to Cure Financial Ills

Lockheed Aircraft Corp. took a stiff dose of fiscal medicine last week and promptly pronounced itself "cured" of financial problems—for the time being at least. The company charged off \$68-million in one shot, which represents "all transport losses, past and anticipated." The result was that Lockheed's traditionally slim profits disappeared entirely for the first six months; instead the company posted a \$55.4-million net loss.

While the news was certainly a bitter pill for Lockheed shareholders, the company has now eliminated the entire \$25-million cost of modifying all 138 turboprop Electras now in operation, plus 48 more that are still in production. In addition, it has written off \$31.1-million in development costs on the Jetstar, its small 600-mile-an-hour jet transport, plus a number of smaller items totaling about \$12-million.

From here on, Lockheed Chmn. Robert E. Gross thinks that a return to profitable operation is only a matter of time. He says that 1960, taken as whole, will show a large net loss, but that the second half of the year should "be decidedly profitable."

• • •

Olin Mathieson Chemical Corp. Works Out

Intricate Deal to Raise Money for Ship

Some routine business before the Securities & Exchange Commission this week uncovered an intricate financial deal that Olin Mathieson Chemical Corp. has worked out to raise \$9.5-million.

Olin Mathieson needs the money to pay for a ship. But the actual borrower is Olin Mathieson Ship Financing Corp., a Delaware corporation, which is a wholly owned subsidiary of Olin Mathieson Shipping Corp., a Liberian corporation, which owns the ship. The Liberian concern is a wholly owned subsidiary of Olma Corp., a Panamanian corporation, which serves as corporate home base for Olin's overseas operations. In turn, Olma is a wholly owned subsidiary of the parent Olin Mathieson Chemical Corp., a Virginia corporation.

The lender is the Prudential Insurance Co., whose \$9.5-million will be used to buy a ship to haul alumina—refined bauxite—from Guinea, in Africa, to aluminum plants in Europe. The vessel is currently under construction in Italy, and is about three-quarters completed.

Richard Bryce, Olin's treasurer, says that it was necessary to set up corporate layer upon corporate layer in order to register the ship in Liberia, have it owned in Panama—as are most of Olin's overseas operations—and still keep the borrower a U.S. corporation. That was the only condition under which the Pru would lend the money.

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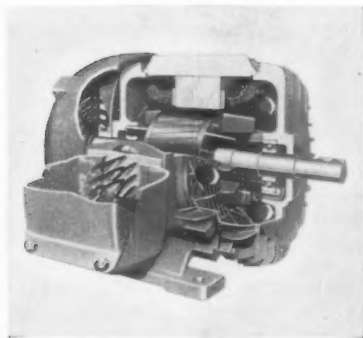
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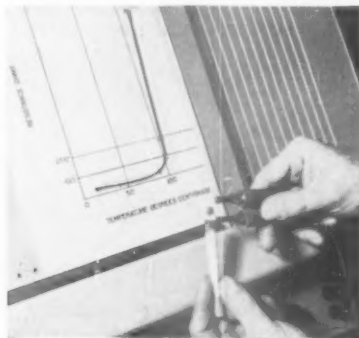
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Dixie Cashes In on Civil War

Whoever said "Save your Confederate money, boys, the South shall rise again" ranks as a business prophet. Today, that once worthless flood of inflated Confederate dollars sells to collectors at \$4 apiece. In fact, anything related to the Civil War has become something of value as America heads into four years of the biggest commemoration in its history, The Civil War Centennial, 1961-1965 (cover).

Already a wide variety of businesses are planning to cash in on the centennial—although the first shots of the war won't be 100 years old until Jan. 9, 1961. From that day, marking the first sniping around Fort Sumter, until the stillness resettles around Appomattox more than four years later, millions of commemorative dollars will be spent in what figures to be the biggest outpouring of hobby money in history.

From the commercial standpoint, the centennial couldn't come at a better time. It will provide a natural climax for the awakening in the past few years of America's interest in the bloodiest episode in its history.

• **Boon to Industry**—This awakening has already been a boon to several industries. Flag makers report that a substantial part of their revenue comes from sales of Civil War flags and pennants. Tourism, much of it directed to Civil War sites, now ranks as the second most important industry in many states of the old South. Even the entertainment world is tapping the Civil War's trove of story and legend for stage, TV, and motion picture material.

Book publishers estimate that there has been more than one book title on the war for every day since the shooting stopped. The Library of Congress believes that books on the Civil War compose the second largest literature in existence, next only to religion. Most has been turned out in the past few years. Best-selling author Bruce Catton, with six Civil War books currently on the market, remarks on the sudden rise of interest: "Ten years ago one of my books was turned down by some publishers, one of whom told me I was too late—they'd published a Civil War book that year."

• **Realistic**—Unlike many anniversary celebrations, the centennial will offer something more than a few anonymous mounds of grass to revive the event. Plans include reenactment of more than half of the war's battles. Indeed, there is some concern that the commemoration will get all too realistic. When invited to send a contingent to the reen-

actment of First Manassas (Bull Run), one Southern lieutenant governor asked if the troops would be permitted to use live ammunition.

• **\$100,000 Appropriation**—To discourage hucksterism on the one hand and too much realism on the other, Congress this year created the Civil War Centennial Commission, at first with a tentative appropriation of \$50,000. To the shocked surprise of his colleagues, Virginia's militantly economical Sen. Harry Byrd demanded that the appropriation be doubled. The increase passed by acclamation. The commission's main purpose is to stimulate the creation of state and local committees and to coordinate their activities. So far, 42 states have set up commissions. As of June, 1960, various states had earmarked \$2,417,000 to finance these commission's activities.

The bulk of this money was budgeted by the Southern states. Since most of the war was fought within the borders of the Confederacy, that's where the interest is most fervent. Virginia alone set up a fund of \$1,387,000. Noting that the Southern states can expect to reap a handsome return from the interest sparked by these activities, National Centennial Director Karl Betts comments: "The South may have lost the War—but it's sure going to win the Centennial."

• **Chronological Order**—Basically, the centennial celebrations will follow a chronological order. The first round will consist of pageants reenacting the secession ceremonies in several Southern states. Montgomery, Ala., hired a professional company to put on a six-day event next February culminating in the inauguration of Jefferson Davis.

Jackson, Miss., will stage its secession ceremonies next January, topping the event with a parade of 10,000 to 15,000 volunteers wearing gray uniforms. All members of this army will be colonels. After Newsweek magazine speculated that the colonels would probably be parading in uniforms made in the North, the Centennial Commission saw to it that the uniforms will be made by Mississippi companies only.

• **Drawing Card**—But the battlefields will draw the biggest crowds. Explaining the phenomenon, North Carolina Supt. of Archives W. S. Tarleton says: "There are just a lot of people in this country who like to go around to battlefields, and we don't have any battlefields from more recent wars in this country."

In recent times this interest has in-



JOHNNY REB, on guard at New York's Freedomland, symbolizes the Civil War.



ATLANTA CAMPAIGN depicted in huge cyclorama is one of the biggest drawing cards at Georgia's permanent Civil War museum.

CONFEDERATE soldiers at Freedomland pose as Mathew Brady, the famous Civil War photographer, might have grouped them.



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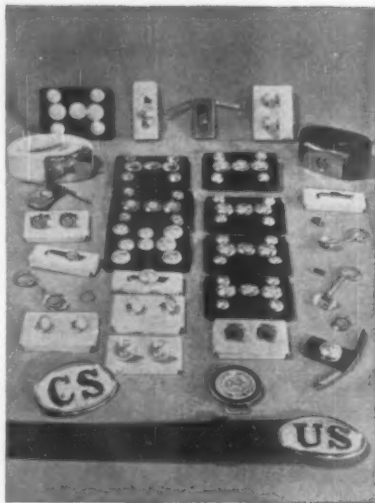
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SOUVENIRS such as the belt buckles and money clips produced by buttonmaker Morry Luxemburg carry Civil War motifs.

creased markedly. Last year, Gettysburg took in \$750,000, Manassas \$250,000. Reenactments figure to multiply revenues several times.

• **Battle Plans**—Plans of the First Manassas Corp. illustrate how to go about the business of reenacting a battle. The corporation backers, a group of Civil War buffs and tourist-minded local businessmen, estimate they will need about \$200,000 to do the job right.

Virginia offered to put up \$20,000 if the corporation can match that in its own funds. Most of the balance will be put up by local enterprises that figure to benefit from the influx of tourists, and from charitable groups, particularly the big foundations. First Manassas hired a professional fund raiser for this activity.

The corporation retained Maj. James C. Fry (Ret.) to give the reenactment the professional touch. Under Fry's direction, 20 vintage cannons have been emplaced, and chairs for 20,000 spectators have been provided. The National Guard is making First Manassas duty count toward summer training. The Army is providing seating for the anticipated 8,000 VIPs who will attend. The VIP attendance parallels the historical situation when a host of dignitaries with their ladies descended on Manassas to witness the thrashing of the Rebels and the end of the Insurrection. (They greatly contributed to the ensuing Union rout by clogging the roads back to Washington in their headlong flight to escape the victorious Confederates.)

One First Manassas official privately fears this historical traffic jam also may be reenacted. The corporation hopes to attract a far larger crowd than it has seats for. Says one official: "Heck, they drew 38,000 to the reenactment of the



CIVIL WARANA composes the second largest literature in existence. Above is small part of New York Public Library collection.

Crater battle in 1937 and all they did on that one was announce it."

• **Stealing a March**—At that, First Manassas may fare better than some of its successor reenactments. It can steal a historically legitimate march because it was the first major engagement of the Civil War. As such, it has a better chance than most to attract advance publicity and to line up television coverage of the event—which will go a long way toward making the reenactment a financial success. Like most of these events, the problem arises from cramming a huge audience onto a battlefield site to watch a show that will take place only once, the tourist interests and the buffs complain. But, says Arthur Larson, chairman of North Carolina's Centennial Commission: "If we put all our emphasis on reenactments of battle, we won't have anything left behind when the shooting's over."

First Manassas hopes to offset these criticisms by raising enough money from the show to erect museums and permanent displays. But some officials fear that the multitude of planned reenactments—including battles like Pichacho Pass, Pea Ridge, and Kennesaw Mountain—will have the tourist trade echoing Grant's plea of "Let us have peace" long before the scheduled recreation of the battle of Bentonville (Mar. 19, 1965).

• **Industry's Cut**—Armies, whether fighting or merely reenacting, require gobs of supplies. Most historians credit the Civil War with tremendously advancing the industrialization of the North. Its centennial also will benefit industry. Gun dealer Val Forgett of Bogota, N. J., has already ordered a second run of the 2,000 replica rifles he had produced in Italy on speculation this year. Uniform manufacturers re-

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THE HORSE SOLDIERS, a United Artists' movie about the Civil War, features John Wayne (standing, right).

port a big spurt in activity, although they say the demand is running heavily in favor of Confederate gray.

But the real business will be provided by the bands of Civil War buffs and the legions of tourists. Just about every major oil company is preparing special Civil War Centennial maps. Sinclair budgeted \$225,000 this year for a special ad campaign to stimulate tourist visits to historic Civil War sites. Many railroads and bus lines are featuring charter trips to sites. The B&O is renaming its fleet of Pullman cars for Civil War battles. Lippincott & Margulies is redecorating a string of Southern hotels to incorporate Civil War motifs.

• **Off-Beat Promotions**—Promotionally, the war will be well mined. Over 60 of the 100-odd companies that date back to ante bellum days have asked the Civil War Centennial Commission how they can tie into the commemoration. Companies in Civil War locales will promote the fact. The South's Foremost Dairies, Inc., will run a series of historical pictures on its milk cartons during the centennial, and promises to present several "Civil War flavored" ice creams in the next few years.

National Distillers, after considerable research, discovered that Gen. Ulysses Grant drank its Old Crow brand. It is considering a series of ads relating this discovery to the anecdote concerning Lincoln's reaction to an aide's report that the successful but bibulous Grant had been drinking too much whiskey. Lincoln's reply: "Find out what brand he's drinking and send it to all my generals." Several department stores have already sketched out Civil War display windows. And a swarm of companies will turn out Civil



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Communications can be briefly defined as the business of getting information from Here to There—and from There to Here. Every improvement in Communications brings Here closer to There. And that's the business ITT is in—narrowing the gap between Here and There, whether There is a nearby city or a nearby planet.

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For what it's worth...

What is the meaning of depreciation?

Adapted from one of the Clients' Service Bulletins of The American Appraisal Company

"Depreciation" is a word of many definitions which often gives rise to arguments between people who have entirely different concepts of its meaning.

The accountant usually thinks of depreciation as a means of recovering the cost of a property item over its useful life. He may elect to recover the cost in equal annual installments or in diminishing amounts over the life of the assets. His chief objective is the measurement of manufacturing costs and period earnings.

The appraiser's approach

The appraiser, seeking to measure value, views depreciation in an entirely different light. He starts with the cost of reproduction new and he estimates the depreciation which has accrued—taking into account physical deterioration, condition of maintenance, known obsolescence, and estimated future utility of the property. Under certain conditions, he must give careful consideration to economic factors such as location, technological improvements in the industry, and financial returns from the use of the property.

To weigh the desirability of a present piece of property, in comparison with new facilities that may be available, the appraiser will determine the cost of reproducing the present property, then reduce that figure by the accrued depreciation. Depreciation established for the determination of value is based on evidence at the time of the investigation. Rarely would a proper result be obtained by multiplying the age of the property by a theoretical annual rate of depreciation.

Two roads to one goal

It should be clear from the above that there is no conflict between the accounting concept of depreciation and the appraisal concept. Their

objectives are different and naturally their approaches are different. The appraiser and the accountant may have the same destination, they may cover the same distance and may even arrive together, but they may not be at the same distance from the starting point at any given time.

★ ★ ★

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Without obligating me, send me your Bulletin No. 501, "Depreciation in Our Present Economy."

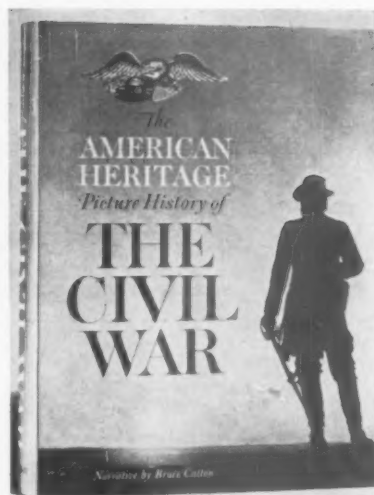
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BOOKS on the Civil War roll off the presses at the rate of about one per day.

War toys, stationery, games, men's accessories, buttons, ash trays, etc.

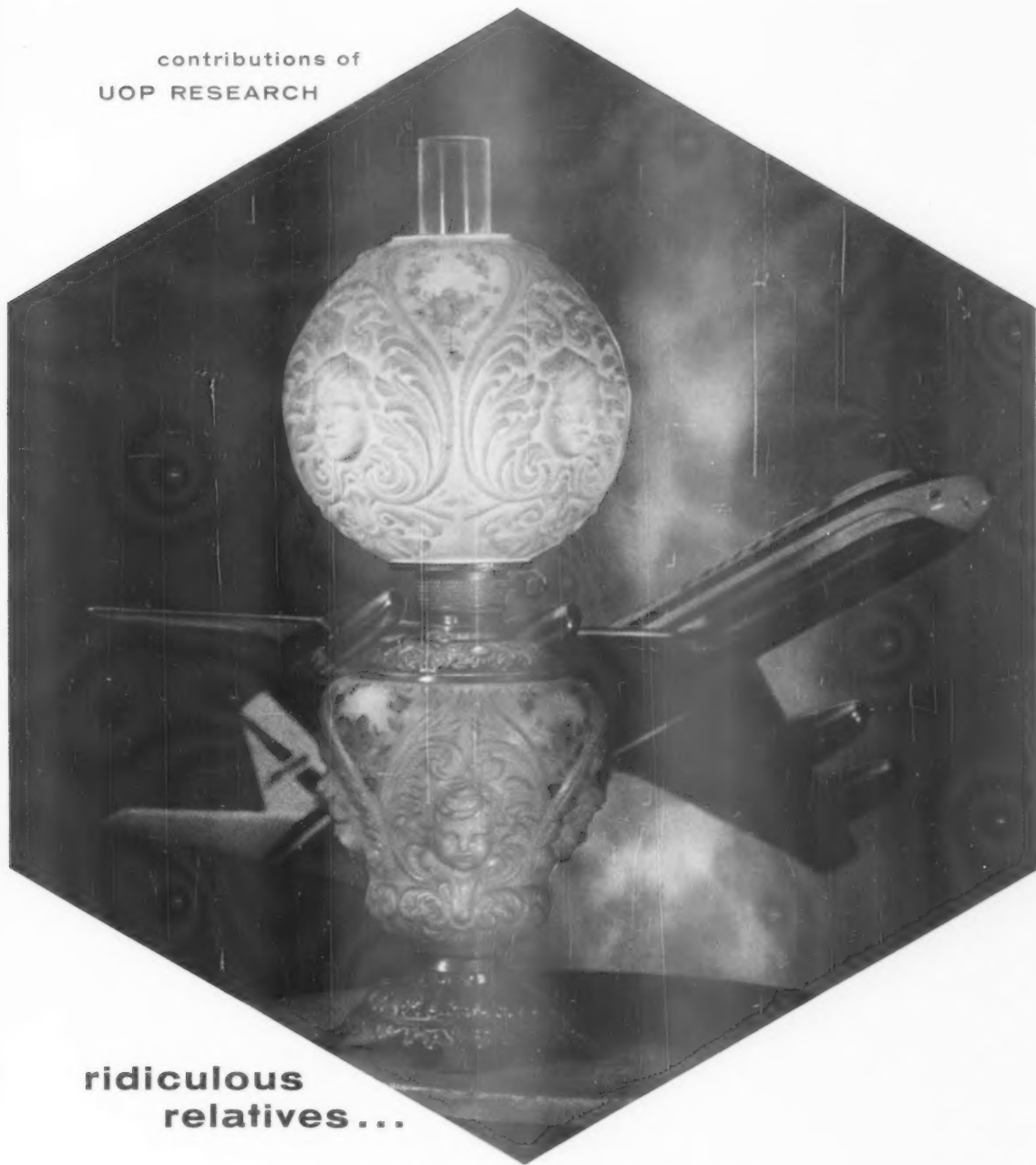
• Call for Experts—There's plenty of opportunity for the established Civil War expert. Historian Catton has turned down endorsement offers on products ranging from baking soda to battlefield pamphlets. Ralph Newman, proprietor of Chicago's Abraham Lincoln Bookshop, is being retained as a Civil War consultant by several companies, including Parker Pen Co.

Publishers will unleash a flock of Civil War books, including some handsome, expensive sets. New York's big amusement park, Freedomland (pictures, pages 60, 61), typifies the many tourist attractions which are prominently featuring exhibits of war incidents. And Johnny Rebs and Billy Yanks will raid TV screens now held by Western and big-city gunslingers. Says Newman, "It will be virtually impossible for anyone to remain unaware of the War and its centennial."

With all this activity, buffs fear there will be some meretricious commercializing. One state centennial commissioner says, "We are afraid there will be a great flood of shoddy merchandise." He is currently trying to dissuade a clothing manufacturer from bringing out ladies' undergarments sporting the Confederate flag.

Businessmen involved in this boom can't explain the infatuation with the Civil War. They just know it's the real thing. Catton sees several reasons: "It was our war, fought here on American soil. And it was our bloodiest war; 600,000 men died out of a total population of around 32-million. And it marks a change in the nature of war itself. In its first part it was the last of the gentlemen's wars; with Sherman's Atlanta campaign it became the first of the modern wars." **END**

contributions of
UOP RESEARCH



ridiculous relatives...

The kerosine lamp from Grandmother's parlor and the sleek new jet seem to have nothing in common. Yet both are devices that make use of the energy stored in kerosine.

Crude petroleum is not suitable for either lamp or jet engine. A vast technology was needed to convert crude oil into the many highly specialized products we know today. UOP research has played a vital role in the development of this technology.


Kerosine lamps are a product of the past, but the jet age and its need for improved fuels is just beginning. UOP is constantly finding more economical ways of making these fuels possible.



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WHERE RESEARCH TODAY MEANS PROGRESS TOMORROW





They Put “Automation” In The Dictionary

Much U. S. production was already automatic by 1948. But the idea of *automation* was not only new—there wasn't even a word for it.

Then came the October 21st issue of AMERICAN MACHINIST/METALWORKING MANUFACTURING with its story: “Ford Handles By Automation”. A word was born...coined by Ford's Del Harder . . . and with it, a new concept of production.

What kind of magazine . . . and what sort of editor . . . could have this influence?

In his 22 years as editor, Burnham Finney has made AM/MM the first place the metalworking industry looks for news of trends and developments. His own series of three articles on automation in 1955 won the first Jesse H. Neal award for outstanding editorial achievement in business publications. Other features under his direction won Neal awards again in 1957 and 1959.

Finney himself is a rare sort of editor—except at McGraw-Hill. He doesn't wait for news to come to him. He goes to it . . . seven trips to Europe in the last nine years to report on the latest developments there, and endless prowling through domestic plants. In an average year, he will log some 30,000 miles of travel, plus as many as 2,000 personal contacts with metalworking executives.

Backing up Burnham Finney on AMERICAN MACHINIST/METALWORKING MANUFACTURING are 16 other skilled editors. Like Finney himself—like all McGraw-Hill editors—they are seasoned experts in the fields they cover. Their objective: to give readers the information they need to help do their jobs better.

This is one big reason why over 1,000,000 key businessmen pay to read McGraw-Hill publications. And because they're vitally interested in what goes on in their fields, these men are a receptive audience for your advertising.



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McGraw-Hill Publishing Company, Inc.,
330 West 42nd Street, New York 36, N. Y.

Here, at an automation operation, an intake manifold is milled and drilled on a production line operated from the console panel at the left in Ford Motor Company's engine plant at Dearborn, Mich.

The men, left to right, have all played a large part in automation: John Dykstra, Vice President, Manufacturing, at Ford; D. S. Harder, a retired Executive Vice President; and Burnham Finney, Editor of AMERICAN MACHINIST/METALWORKING MANUFACTURING.



Frozen foods now go to market bagged in film of **TENITE POLYETHYLENE**

Pollock Paper Company, division of St. Regis Paper Co., using *Tenite Polyethylene*, supplies bags like these to package individually quick frozen foods — a new development that's spurring frozen food sales.

Transparent packaging of individually quick frozen food—known to the trade as IQF—is a giant step forward in frozen food merchandising.

IQF foods are not frozen into a solid block. Instead, each piece is individually frozen *before* packaging. Thus, housewives can buy IQF packages (usually one and one-half to two pounds) and pour out just the amount needed for a meal. Retailers benefit through larger unit sales; processors, through the economy of a simpler packaging operation.

Bags were chosen for IQF foods so that the user would have the convenience of a package that could be reduced in size as the contents were consumed. For the bag material, processors turned to film of Tenite Polyethylene. This Eastman plastic has proved ideally suited to the demands of the job.

The film is strong, tough and flexible, and retains these qualities at below-freezing temperatures. Its performance on automatic filling machines reduces

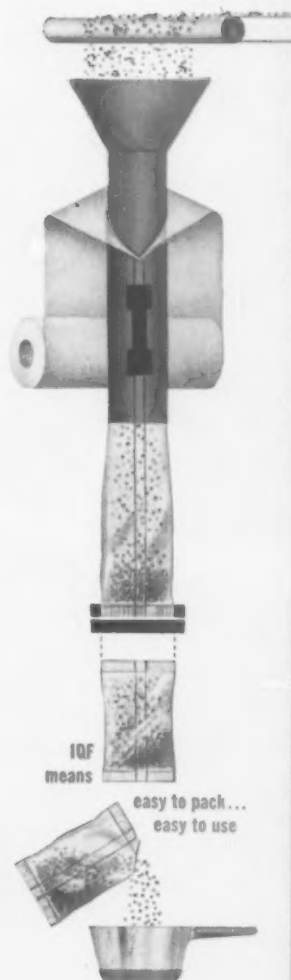
operating problems to a minimum. Strong seals, obtained with low sealing temperatures, increase package durability in shipment and in self-service cabinets.

Extruded on special equipment to assure accurate control of thickness, the film is supplied by Pollock in both bag and roll form to leading frozen food processors. These users report that it cuts costs by making possible unusually efficient machine operation with fewer broken bags.

For more information on the use of film of Tenite Polyethylene for frozen foods, write Pollock, or EASTMAN CHEMICAL PRODUCTS, INC., subsidiary of Eastman Kodak Company, KINGSFORD, TENNESSEE.

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Film for frozen food bags extruded from Tenite Polyethylene by Pollock Paper Company; general offices, Dallas, Texas. Plants and sales offices located coast to coast.



Bringing Paris Fashions Down t



to the Mass Market

In the fabled salons of Paris' haute couture, buyers from the U.S. stores have once more survived the midsummer madness of the fashion showings.

To the casual eye, this season's frenzy duplicated the frenzy of past decades. Last week, as the last stragglers dragged themselves home, they were spurred, as always, by the hope that once more they had a fashion "story" to tell their customers. In the subdued tension of one showing after another, rival merchants had pitted the brains and intuition of their shrewdest buyers. Each had strained to spot the line, the silhouette, the new drape or furbelow that would convince U.S. women that now is the time to buy, and his is the store to buy from.

But some changes have crept up on Paris in the past few years—and in some eyes, such changes spell peril to Paris.

• **Mass Market**—Paris is no longer the exclusive purlieu of the exclusive shop. More and more, the big mass merchants count among the important customers of French fashion houses. Contingents from posh Neiman-Marcus, I. Magnin, or Bergdorf Goodman find themselves sitting next to representatives of Ohrbachs, R. H. Macy, cash-and-carry Robert Hall, or Sears, Roebuck & Co. Today as never before, high fashion is mass business.

• **Copy and Adapt**—Few retailers come to buy outright, for few women have the price of a Dior original. For most retailers, buying means acquiring possession—and by no means exclusive possession, at that—of a model for six months. During that time, merchants and manufacturers copy it, adapt it, display it. They send it on its way, perhaps to Canada, or back to Europe.

Paris isn't the only stop. The buyers flock to Italy, fan out to England and Germany. But Paris still claims the title of fashion's mecca. And every year new customers discover it. Readers have always been able to learn about the Chaneles and the Balenciagas in Vogue and Harper's Bazaar; in the last few years, a "Designed in Paris" tag has also been prominently displayed on the pages of a Sears catalog.

I. Paris a la Macy's

By what reverse alchemy does the mass merchant transform the gold that is beyond the reach of his market to some less costly metal? This summer BUSINESS WEEK made the rounds with

Close look: Macy suit buyer Maxine Freedman (center) in Cardin salon. Dress buyer (far left) and fashion boss Reich confer.



Fashion Administrator Marjorie Reich admires blouse in Balmain boutique.

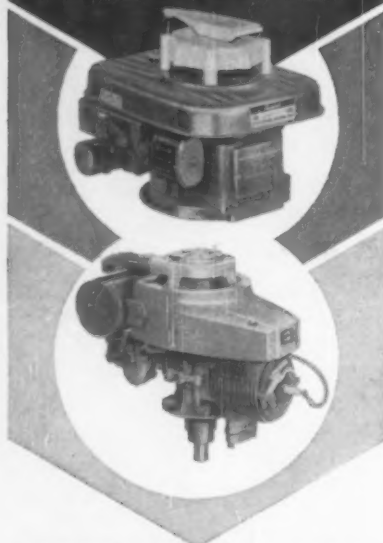


Textile maker shows fabrics to suit buyer. Problem: Has he enough for Macy's?



Couturier Cardin winds up successful session with dress buyer Shanna Simon.

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Macy's-New York to see how it does it.

Last week, Marjorie M. Reich, fashion administrator for Macy's, returned to Herald Square after almost a month of frenetic activity in Italy and France. She brought back—in her head, at least—a fashion package that will turn Macy's customers into the sultry sirens of the late 1920s, if she has placed her bets right. The news about the fall-1960 woman, according to Miss Reich, is "clothes closer to the body, more skirt interest, femininity, a dressed-up look, wearability."

• **Unveiling**—The public will get its first look at this look on Sunday night, Sept. 11. A coast-to-coast color-TV fashion show, prepared by Miss Reich and sponsored by Holiday magazine, will show U.S. women the fashion picture as Macy's sees it—from helmet hat to pointed pumps.

On Monday, Sept. 12, the woman who wants a copy of a satin Balenciaga ball gown or of a braid-trimmed Chanel suit may buy them off the rack at Macy's. That morning, these and 72 other models, copied line-for-line from the costly originals, will go on sale.

• **Fast Work**—To get copies ready for these events calls for a tight timetable. In cloak-and-dagger secrecy, Paris fashions sold to U.S. stores and manufacturers all leave France on the same plane on Aug. 23. They'll be cleared through customs on the afternoon of Aug. 26.

Manufacturers will be waiting to grab the clothes they are to copy in time for the press fashion show on Sept. 7. At that event, 20 mannequins dressed in the designers' originals will be paired with 20 others wearing Macy's copies.

Once the press show is over, manufacturers will rush to make up the models in quantity—in five days.

• **Fashion Braintrust**—The style story that Macy's will tell is the work of its top fashion trio—Miss Reich, and two buyers, Shanna Simon (Better Dresses) and Maxine Freedman (Better Coats and Suits), who make the semiannual jaunts to Europe. This time, they were accompanied by a dozen other officials, headed by the store's top brass: Pres. Arthur L. Manchec; Herbert L. Seegal, executive vice-president; Leo Martinuzzi, vice-president.

Like many other popular-priced merchants, Macy's has long prided itself on its fashion lines. But the pitch to become a real fashion store started 24 years ago. In the spring of 1958, Seegal decided to move line-for-line copies out of the posh Little Shop into regular departments. This sparked interest in the Better Dresses and Better Coats and Suits departments, sent sales of line-for-lines soaring from 300 pieces a season to 5,000.

Next, Macy's hired Miss Reich. Now, as the store's top fashion authority, she

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stages fashion shows, picks accessories for couture models, ties up all the strings of a complete fashion package.

• **The Customers**—Who buys the package? Miss Simon and Miss Freedman say they are career women, housewives, actresses, students, fashion editors, business girls, and society women, from 18 to 60. What they have in common is a feeling for fashion, a sense of adventure, and little interest in whether a style will last.

"The woman who buys a Paris line-for-line copy isn't looking for enduring fashion," says Miss Reich, "or she'd wear a shirtwaist dress. What she wants is an avant-garde look."

• **Selectivity**—To get this look, Macy's buyers winnow down from 5,000 models in the collections. Some weeding-out is done sight unseen. Each buyer must sign a pledge to buy one or more models before gaining entrance to a salon. And experience has told them which houses are likeliest to offer adaptable styles.

Even there, models most likely to succeed—"fords" in U.S. fashion lingo—may be buried under a pile of freakish styles. To get attention, couturiers must show some extremes, such as Dior's mink-trimmed crocodile jacket.

The buyers race from salon to salon, covering three a day. Collections may contain 200 pieces, and they show "like the wind," Miss Reich says. Usually, they go back for another look before buying.

What guides their choice?

They look first for pretty clothes and fashion news. Miss Simon summarized the fall 1960 dress news as "long torso, flounces, overblouses, capes, and long gowns." Biggest news in coats and suits, says Miss Freedman, is the cape shape, the double-breasted look, fitted fronts with a suggestion of fit in back, and skirt interest.

Fashion news means "tomorrow's trends." A major style, such as the chemise, takes several seasons to develop. If you nab a forward look when it first appears, you get more mileage out of your buy.

• **How Practical**—A hard core of practicality goes into the choice. Before settling for a model, buyers ask themselves: Can their manufacturers copy it easily enough to keep the price in bounds? Can they get the fabric—or duplicate it? Will it look good in a range of sizes? Is it wearable in the U.S.? For example, a coat with tricky sleeves may be fine for a chauffeured French countess, but it wouldn't do for a New York subway straphanger.

That's one reason Macy's didn't go overboard for Lanvin's teardrop skirt, with fullness gathered into a band at the knee. "Too hard to shorten and probably too tricky to copy well," they decreed.

Nevertheless, it's fashion news. So,

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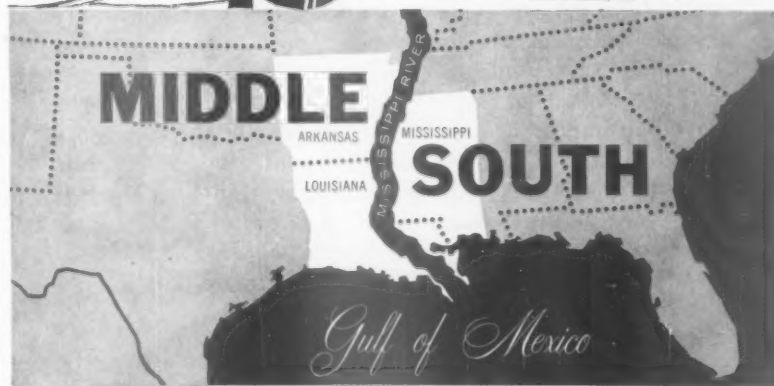
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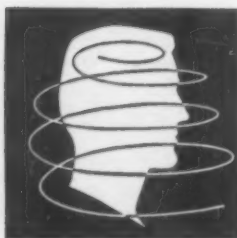
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to be on the safe side, Miss Freedman bought one suit.

• **Price Range**—Macy's aims at a price that even the slim pocketbook can afford. Dress copies sell for \$29.95 to \$69.95; in the original fabrics, they go higher—sometimes over \$200 for a fancy ballgown. Coats range from \$69.95 to \$300. The originals cost Macy's from \$600 to \$1,800 for the French models, \$250 to \$700 for the Italian.

Moderate prices are important in luring the avant-garde. A customer might be tempted with a Dior bubble skirt at \$49.95 but might consider it too big a risk at \$125.

• **Advance Work**—Even before they left New York, the buyers had done some homework. They had set their budget—though it's flexible—on the basis of numbers of models to buy. They had shopped the domestic and imported fabric market, gleaned some tips on what fabrics designers have used. They had lined up the 25 or so manufacturers who will make Macy's copies.

When they wind up their stay in Europe, they must have a varied collection, for different types of women, for all hours of the day.

II. Is It for Real?

It is easy enough to explain the phenomenon of a fashion boom. More money has a lot to do with it. It's a rare female to whom the word Paris hasn't always spelled fashion, observes Mary Lewis, director of the Sears Fashion Board. The original is still beyond her, but she can afford the line-for-line copy, or a ready-to-wear dress that claims the Paris "look."

Furthermore, her number is now legion. The population explosion has brought on a fashion-conscious young market—and young Paris designers delight in catering to it.

• **Paris Leadership**—The inevitable question arises: Does Paris really have something to keep customers coming?

On this, all hands concur: What Paris has to sell is still for real.

"Paris," firmly says Vogue editor-in-chief Jessica Daves, "remains the only authoritative source for fashion inspiration in the world." The U.S. has become the fashion distribution center. But the U.S. would "be hard put to do without the inspiration, the reaching for creation, the freedom of ideas, and the wonderful making that is Paris," Miss Daves states.

Sears' Miss Lewis puts it another way. The Paris couturier represents in fashion what Paris artists represent in art. To be sure, he is well aware of the publicity value of the press ballyhoo, and partly he is playing to the gallery with his "way out" designs. But partly, too, he is faithfully expressing his own sense of the age. The boldness of the

great couturiers carries over even to the smaller shops; even the ready-to-wear carries the Paris stamp.

• **Why Not U.S.?**—This is one reason, she believes, that the mass U.S. market has turned to Paris rather than to the U.S. designer.

First, of course, the French have the ancient prestige. Then, U.S. designers such as Norman Norell, Galanos, and Trigere shun the mass stores "which narrows their impact," Vogue's Miss Daves point out.

Mainly, though, mass-market fashion must have a "handle," what Macy's calls a story. This is a subtle something that a merchant can make visible and manifest, that says: This is Fashion with a capital F. U.S. designers, serving a very limited, very chic, and very wealthy clientele, strive for understatement. (One good reason, fashion consultant Tobe has pointed out, is that even the wealthy don't want a \$700 dress to be outdated tomorrow.) But the masses don't buy understatement.

• **Killing Exclusiveness?**—The development of the past few years raises another question. Can a couture that has taken the mass market to its heart sustain its prestige?

"Paris has been appealing more and more to the mass market in the past few years," one exclusive merchant says. "So we look elsewhere. We go to places that the mass market hasn't yet discovered. We are adding to our own design staff. We still shop Paris, but we are very selective, much more so than in the past."

Mass-copying has this danger. A manufacturer may kill a style before it has a chance. The chemise is a classic case in point. It looked so easy that the mass manufacturer bought it. To look well, though, the chemise required subtle cutting, careful making. It died without really having its day.

"The mass merchandiser who buys a name does slightly disturb the prestige of that name," agrees Lawrence Marcus, senior vice-president of Neiman-Marcus. "Names aren't enough now; their value has dropped in the last two or three years." Traditionally, Marcus says, the European categories fall into three distinct groups: last year's styles, this year's styles, and next year's styles.

"The secret of a successful fashion store is to have buyers who can select next year's styles," he says serenely.

Even though storm clouds may be gathering to dim Paris' time-honored glory, the developments of the past few years are all to the good for the fashion industry, one tolerant "class" retailer feels.

Even mass garment-makers have their own stylists nowadays. Today they may do little more than copy. Tomorrow, they, too, may begin to create. **END**

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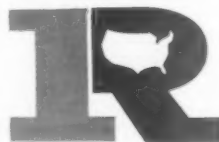
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INTERNATIONAL OUTLOOK

BUSINESS WEEK

AUG. 20, 1960



Congo Premier Lumumba turned on the United Nations this week, shattering all hope that the crisis in Africa would subside soon. The fiery Congo leader is demanding that the U.N. give him a free hand in secessionist Katanga Province and in many other matters.

The question now is whether the Congo can be retrieved from dangerous involvement in the cold war. The story is told in this line-up: Lumumba has on his side Moscow, Peking, and Communist-dominated Guinea. He also has some sympathy from Ghana, another new African nation. Backing up the U.N.'s Dag Hammarskjöld are the Western powers, and with less fervor, most of the Afro-Asian bloc.

Hammarskjöld is back in New York this week to get further instructions from the Security Council. Lumumba's words and actions have challenged the prestige and effectiveness of the U.N. as a force for peace. The Congo leader has publicly withdrawn his confidence from the Secretary-General, proclaimed martial law in the Congo, demanded withdrawal of Swedish troops from the U.N. force, and detained some U.N. civilians.

If Lumumba and his government should ask the U.N. to leave the Congo, the U.N. would have to go—except perhaps from Katanga, where Lumumba has no power. This would leave most of the Congo free for the Communists. But, at midweek, it seemed unlikely that Lumumba would take this step immediately. He would then be going against the feelings of several African nations that are about to join the U.N. He would also run the risk of losing Katanga—unless he already counts on the Russians to take it for him by force.

Secy. of State Herter isn't expecting any big upsets at the session of the Organization of American States, which opened this week in Costa Rica. At midweek, Herter's advisers figured that Venezuela's complaint against the Dominican Republic would be handled without a big fracas, at least during the conference. Venezuela charges that Trujillo engineered an attempt to assassinate Pres. Betancourt.

Herter is sure he can get OAS to blast Soviet intervention in Cuba—once Venezuela's case is out of the way. The State Dept. has never expected OAS to come out directly on our side against the Castro regime.

The U.S. will be under fire, however, on the question of economic aid to Latin America. Many OAS delegations feel the new \$500-million U.S. aid program is too little and too late. But Herter should be able to quiet some of the criticism with a preview of the aid proposals the U.S. will offer next month at a hemisphere economic meeting in Bogota.

The crisis in Cuba already has forced Washington into a reappraisal of U.S. foreign aid policies. So far, officials have come up with more questions than answers. Still, some new ideas are shaping up.

What's happened in Cuba suggests that money and normal diplomacy aren't enough to assure good relations with underdeveloped countries. Over the years, the U.S. has poured private capital into Cuba, given Cuba its independence and defended it. Yet a handful of extremists were able to turn Cuba into a Soviet beachhead in the hemisphere.

The idea now is to try to identify U.S. aid with popular aspirations for a better life. Hence the emphasis in the new Latin American aid program on land reform, housing, public health, education, and the like.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

AUG. 20, 1960

In the case of Latin America, Washington also is looking for ways to bring recipient governments closer to the planning, administration, and distribution of American aid. Officials already are working on plans to set up a U.S.-Latin American economic policy organization, probably under OAS. It would act as a central economic clearing house and would take under its wing the Inter-American Development Bank, the handling of all U.S. aid to Latin America, and U.S.-Latin American trade policy.

By next year Western Europe may no longer be divided into two hostile trading blocs (page 30). Bonn and London now are working toward a merger of the six-nation European Economic Community, which has been under Franco-German domination, and the seven-nation European Free Trade Assn., which Britain leads. The Anglo-German goal seems to be a customs union that would join the Six and most members of the Seven. The big question is whether Paris will go along.

A change in West German policy accounts for the new outlook. Until recently, Chancellor Adenauer has played along with Pres. de Gaulle on the Six-Seven issue. Now, Adenauer is swinging his weight to the side of British Prime Minister Macmillan.

The development in Europe has left Washington officials a little dazed. There's even some pique at the State Dept. because the U.S. was not consulted in the negotiations. For over a year now the State Dept. has been involved in the Six-Seven fight, and has always thrown its weight against a merger.

A broader European customs union involves the threat of increased discrimination against U.S. goods. But Washington would have no ground for objection if the proposed union met the rules of the General Agreement on Tariffs & Trade (GATT).

There are mounting reports of a rift between Peking and Moscow. Washington discounts them, London doesn't.

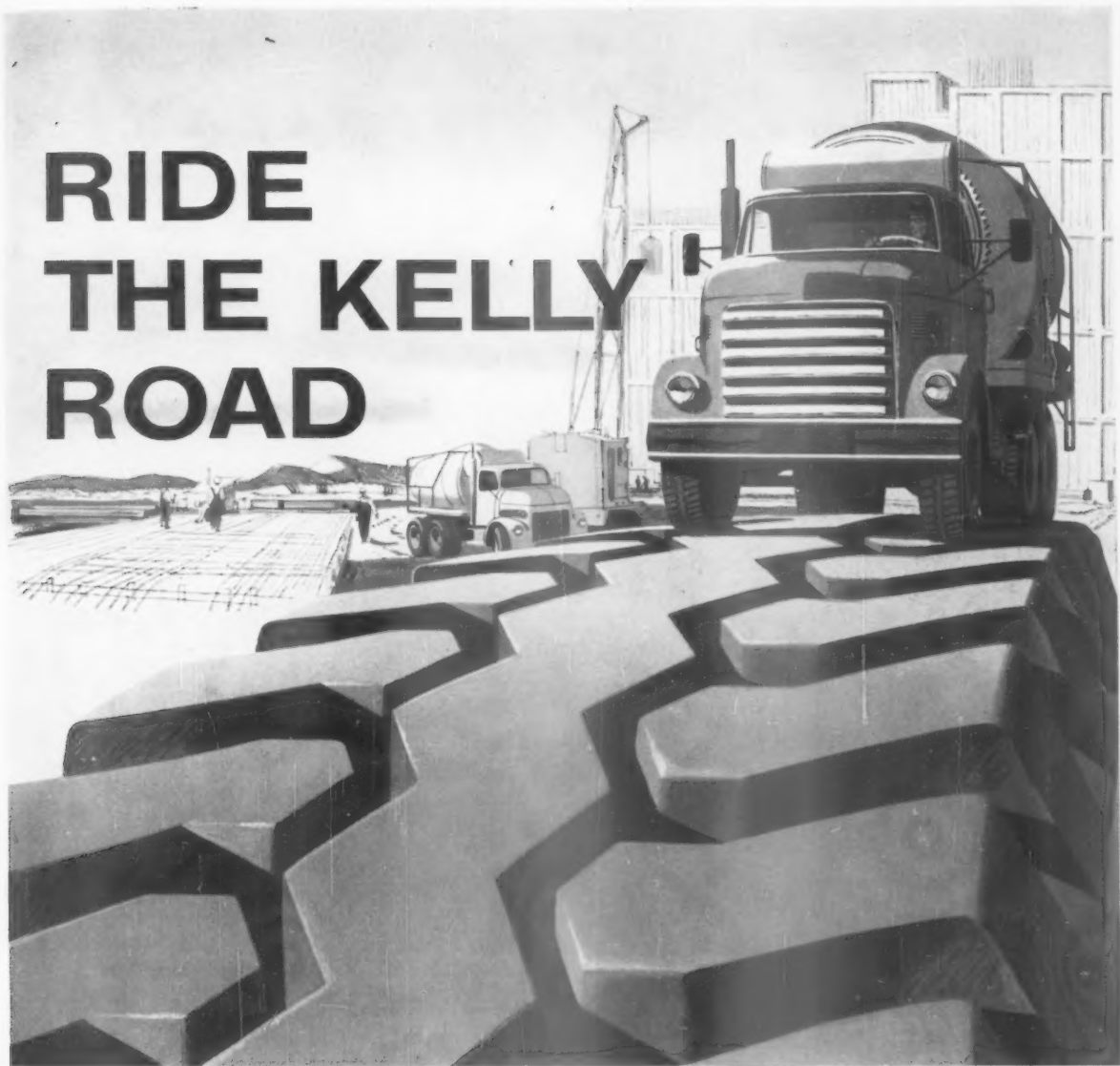
State Dept. officials say a reported "exodus" of Soviet technicians from China may be motivated by technical rather than political reasons. U.S. officials point to the fact that the Chinese backed down after trying to force Moscow to abandon its "peaceful coexistence" line. And they also argue that the two countries, at the moment, are too interdependent to allow a serious breach.

London supports its view by pointing to continued Soviet attacks on "leftwing deviationists" and repeated Peking statements stressing that nations should develop without too much reliance on foreign aid—such as China gets from Russia.

The trial of Francis Gary Powers in Moscow's Hall of Columns dramatically illustrates the end of the "thaw" in East-West relations. Indicted along with the U-2 pilot, in effect, is the U.S. government.

Primarily for propaganda purposes, the trial has domestic implications as well. It is recreating the atmosphere of the 1930s, when every foreigner was regarded as a spy. This will have a serious effect on cultural exchanges and on tourism, which the Russians have regarded as potential Trojan Horses from the beginning.

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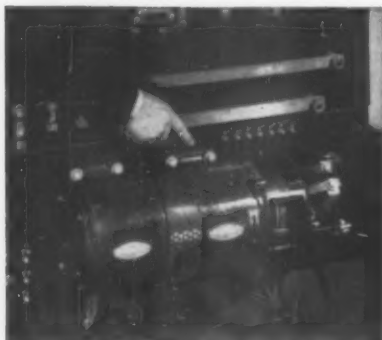
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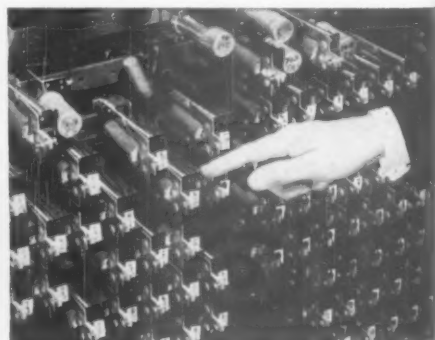
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THE MARKETS

Market Thinness Makes It Edgy

- Limited supply and low trading volume in many issues mean fewer and fewer shares set the price movements.
- Some analysts fear thinness could result in a rout if prices should break below current resistance levels.
- NYSE officials, though recognizing problem, feel market and its specialists could absorb a lot of selling.

A few weeks ago, the stock of Cutler-Hammer, Inc., a West Coast maker of electronic control devices with a listing on the New York Stock Exchange, suffered its own Blue Monday. From a close of 85 on the NYSE the Friday before, one trade of 100 shares dropped it to 83½. Then 500 shares went at 82½. One more round lot traded at 81½. Then a final 100-share sale was transacted at 80. Cutler-Hammer had lost 5 points on a total turnover of only 800 shares—a tiny fraction of its 1.5-million outstanding.

Cutler-Hammer's skittish price action is typical of that of many corporate issues in today's nervous stock market. The skittishness reflects the internal thinness of many issues—the fact that there is either a limited supply of stock available to the public for trading, or that there are few actual bids and offers for stock on the books of exchange specialists, whose function it is to keep orderly markets.

This means that sales of fewer and fewer shares of stock set the prices for all shares and that any bit of volume touches off sharp price bursts. It's also why the spread between trades is sometimes so large, as in the case of Cutler-Hammer a few weeks ago.

• **Continuing Factor**—Talk of a thin market has died down somewhat of late on Wall Street. This is because more basic influences are at work on prices—the Fed's moves toward easier credit, international tensions, shaky economic news, signs of increased military spending. These have more impact than the internal structure of the market but the latter can't be dismissed too lightly.

For example, thinness contributed to the bull market of the 1950s. Institutions began buying up common stock and developed the widespread cult of equities in a market in which the floating supply was small. Thus, demand for shares brought a marked bidding up of prices. Now, with investors concerned about the "Sober" Sixties, thinness could have a reverse impact.

• **Disturbing**—A number of analysts are worried about just what would hap-

pen to stock prices if fear of inflation, the cult of equities, and the big mutual fund sales drive should all fade. It is quite possible that the market's retreat would not be so orderly, just because so many issues are so thin.

This is what disturbs market technicians. They point out that prices dropped some 80 points in January and February of this year, and they argue that if prices ever broke below what has become the 600 resistance level—as measured by the Dow-Jones industrial average—then thinness could result in a quick rout.

There was little prolonged selling in the 1950s. Or, at any rate, there were plenty of buyers waiting on the sidelines when prices were cut. Today, though, brokers say that would-be big buyers are waiting for a steep drop in prices before stepping in. By that time, a lot of damage could be done.

• **Confidence**—New York Stock Exchange officials pooh-pooh such worries. They point out, for one thing, that 87% of the trades on the Exchange are made within one-quarter of a point or less. So they feel fairly confident that the market—and the specialists—could absorb a lot of selling.

As one official put it: "Sure, the market would go down if people got disenchanted with equities and thought they would rather put their money elsewhere. But it wouldn't be a disorderly drop."

Exchange officials base a lot of their confidence on the performance of the market on "cardiac Monday"—the day of Pres. Eisenhower's heart attack in 1955, when 7.7-million shares were traded and stocks fell 31 points. Though this was a 6.5% drop, officials say the market didn't hit any real air pockets to send it spinning.

The worriers have a different view. On that Monday, some technicians note, specialists bought roughly 23% of the stock offered for sale, and kept the market from falling completely out of bed. The specialists probably couldn't have kept this up over a prolonged period, these technicians argue, and

the fact that prices rallied the next day probably saved the market from a real beating.

• **Problem**—Exchange officials, however confident, recognize that there is something of a problem in thinness. They want to see margin requirements reduced to at least 50%—from the present 70% level—to make for a more liquid market, one that would encourage speculators to "make a market" when long-term investors are either selling or sitting on their hands. And they are worried about the rise in so-called stop-loss orders, which exaggerate downswings in specific stocks—partially due to the emphasis put on them in dancer Nicholas D'Amico's new "how-to-make-a-million" thriller.

The Exchange, concerned about trading in volatile, fast-moving issues, polices them carefully. Last week, for example, it took the stop-loss orders off Lionel Corp. to prevent a chain-reaction downward if Lionel should falter in its current climb. In the 1957-59 bull market, the Exchange removed stop-losses from about 10 stocks in all (in some of these cases the ban has since been rescinded).

• **Institutions**—The Exchange also is talking up its ability to arrange "off the floor" transactions for institutions with big blocks to sell. This is because institutions are turning more to over-the-counter houses to sell their big blocks of stock; the o-t-c houses, some institutions say, offer faster service and give them a better price for their shares.

The Exchange claims to be fairly successful in its new campaign, although officials admit the big trouble arises when an institution needs to get rid of a large block in a hurry. So far, there has been little of this kind of forced selling, but if it increased in any volume—if, say, a couple of mutual funds were forced by redemptions to unload big blocks—it might be a real problem.

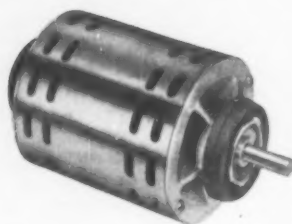
• **Vulnerable**—There seems little question that most individuals have stuck with stocks whatever happened—that's one reason, in fact, for the market's thinness. The market as a whole has been declining on very little volume. The concern is over what would happen to vulnerable issues and groups if volume increased on the sell side.

Some individual stocks and groups have already suffered. A number of steel and oil shares have dropped 40% to 50% from their peaks—with thinness one culprit, according to some analysts.

Also vulnerable are some so-called growth issues where the actual floating supply of stock—that not held by in-

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siders or strong hands—is limited. For example, all the shares of nine current favorites together—Ampex, Collins Radio, FXR, General Instrument, Hewlett-Packard, Itek, Litton, Texas Instruments, and Transitron—total 31-million shares. That is only roughly one-third of the outstanding shares of General Electric alone, and one-ninth of the total General Motors.

To some analysts, this means that if institutions want representation in this scientific growth group, they will have to bid up traditional price-earnings ratios. By the same token, however, if one of these stocks lost favor, selling could produce a big drop in prices.

Not only the glamor stocks, but some top-drawer issues cause concern. For instance, F. W. Woolworth dropped $4\frac{1}{2}$ points on only a 300-share turnover not too long ago. Other blue chips have suffered a similar fate.

• **Policing**—On the whole, the NYSE is well-policed, most of the issues traded have a good number of shares outstanding, and its specialists are fairly well-heeled. Though trading in individual issues is slim, in many cases there is little difficulty in making an orderly market.

The American Stock Exchange, though, presents some problems. For it has many stocks with comparatively small capitalizations that bounce around like yo-yos. Critics argue that the policing is less strict, the provisions for listing more liberal, and the specialists less restricted in their transactions.

• **One Solution**—From whatever angle, thinness is a vexing problem. Its solution, as Harold Clayton, a noted chronicler of stock volume for Hemphill, Noves & Co., sees it, is more stock splits, with resulting lower stock prices and broader share ownership. Clayton has beaten the drums for more stock splits for years, and scoffs at corporate arguments that a high price alone guarantees a blue-chip label. "We have 12 times as many shares listed as 30 years ago," Clayton claims, "yet we're doing less business. It doesn't make sense."

Clayton isn't too sure that today's thinness makes the market any more vulnerable than it was, say, in 1953-54 or in 1957. But he says that "thinness makes the public lose confidence when stocks are falling in fits and starts. Scare headlines tell investors they're losing billions daily, and they pull in their horns."

Other technicians contend that the market is more delicate today. Though there are 12-million shareholders, most lower-income groups hold relatively little stock. They fear that if these big institutions, dealing in a limited number of stocks, were to prune their portfolios hard, the frail capital of some specialists might not be able to support the market. **END**



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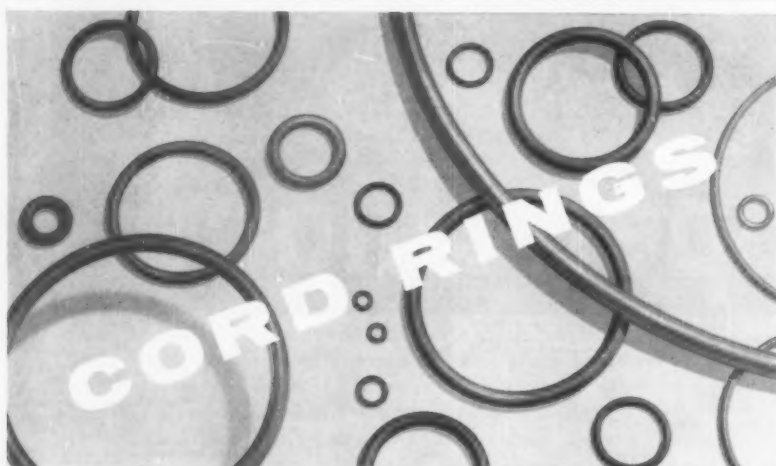
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Wall St. Talks . . .

. . . about Montgomery Ward, Lazard Fund, Epsco's duel with SEC, Automatic Canteen and Chock Full splits.

Montgomery Ward sagged to a new yearly low of 35 this week on talk that its \$2 per year dividend may be cut. Chmn. John A. Barr won't say what he'll recommend to his board of directors at its meeting next week. Earnings, however, slipped 59% for the May quarter, to 14¢ per share.

Lazard Freres & Co., which has compiled an uninspiring record as manager of its \$130-million Lazard Fund, has admitted Schroeder Boulton, former Goodbody & Co. market pundit, as a general partner, in a move to bolster its investment research. Boulton garnered a big volume of mutual fund brokerage while at Goodbody because of his role as adviser to several funds.

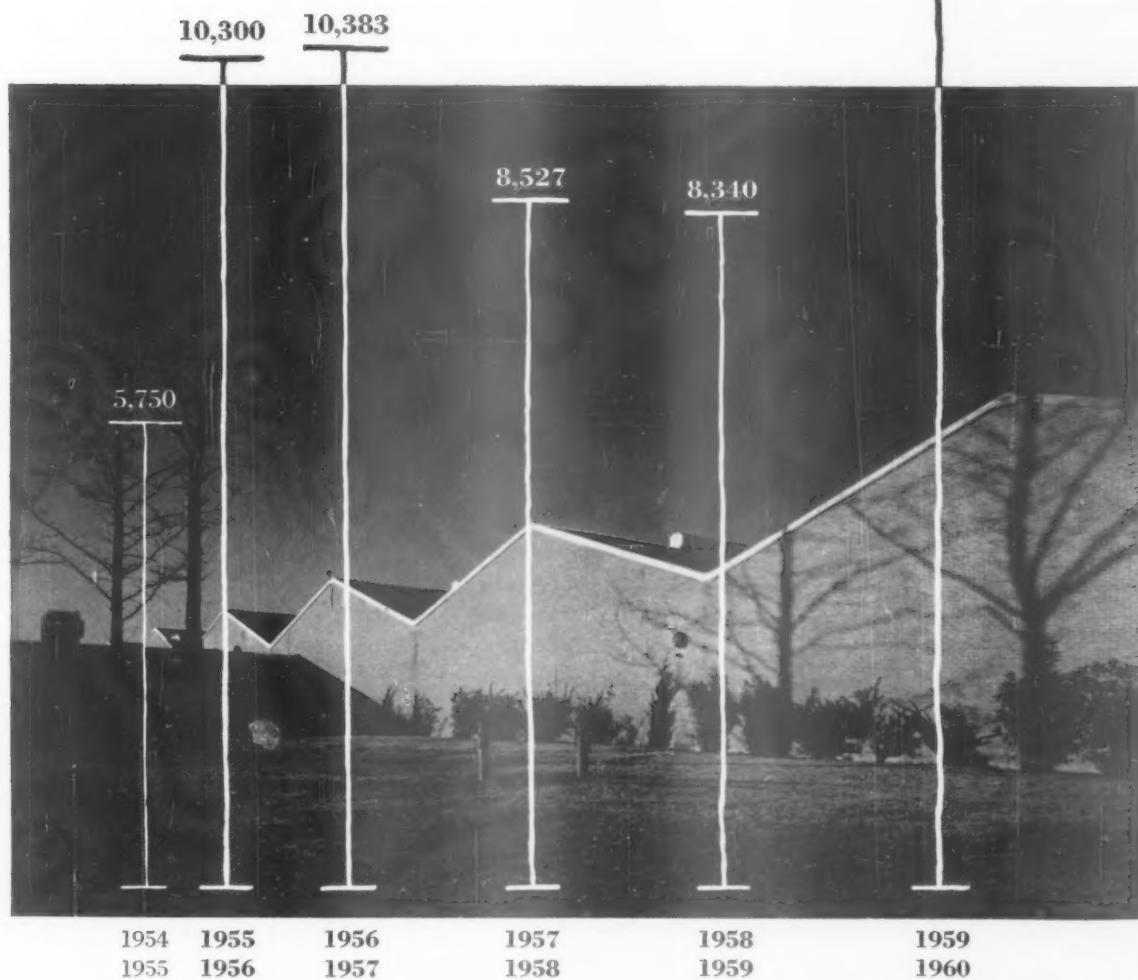
Thermo King Corp. ran up from 30 to over 37 in active over-the-counter trading on rumors of an impending merger with Transatron Electronic Corp., which is second behind Texas Instruments in transistor production. Merger terms are nine shares of Transatron (now selling about 50) for every 10 Thermo King shares. Thermo King, which manufactures refrigeration units for trucks, has annual sales of about \$20-million, and should earn \$1.5-million this year.

Epsco, Inc., a Boston electronics firm, is having a "difference of opinion" with the Securities & Exchange Commission over profits Epsco claimed on the sale last year of an option for a block of stock in Digitronics Corp. B. M. Gordon, Epsco president, admits that "we have been having conversations with the SEC over changes in accounting practices relative to Digitronics income." But he adds that "it is absolutely untrue that the SEC is charging Epsco with anything at the present." SEC officials say that they are continuing to investigate the situation.

Brokers says the recent rise in both Automatic Canteen and Chock Full O' Nuts can be attributed not only to rising earnings but pending stock splits. Canteen is going to stockholders for authorization for 15-million shares, compared to its present 5.4-million outstanding. Some of this probably will be used for more acquisitions, but there will be room for a split. Chock Full has its meeting Aug. 31, and the betting is on a 3-for-1 split.

This year's industry has set a record for Arkansas: 13,516 new jobs.

Since July 1955 a total of 51,066 new jobs has been announced.



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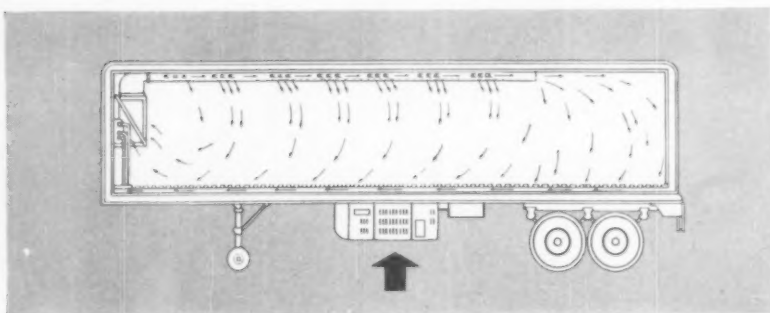
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In the Markets

• • •

Fed's Moves Firm Up Stock Prices, But Bonds React With Restraint

Federal Reserve Board moves toward easier credit dominated the securities markets this week.

Stock prices, buoyed by the Fed's cut in the discount rate, had a firm tone. For the past two weeks, the number of advancing issues has far outstripped the number of declining ones. Analysts say this gives more meaning to the market's advance from 600 to 626, as measured by the Dow-Jones industrial average. Wall Street consensus is that the market has a little bounce left in it—but until the outlook is clearer for the usual fall pickup in business, the market isn't going on any tear. In fact, if the fall pickup is just so-so, the market could sell off sharply.

Bond prices, meanwhile, reacted in a very restrained fashion to the Fed's move. By its prolonged rally before the Fed's action, the bond market had taken account of the discount rate cut, say bond dealers, and they look for steady bond prices until there is further news on the economic front.

• • •

Fanny Mae Shares Go Up As Money Rates Go Down

Interest focused in the market this week on the stock of the Federal National Mortgage Assn. (Fanny Mae), a U.S. government corporation that has over 5,000 private shareholders. Traders say that Fanny Mae, now selling over 60, compared to 56 only a short while back, generally profits when money rates are declining, as they are now, for two reasons:

- The cost of money, Fanny Mae's biggest expense, goes down.
- Fanny Mae normally becomes a substantial net seller of mortgages—mortgages that were acquired at deep discounts while money was tight, and have since risen in price.

They also point out that Fanny Mae has boosted the annual rate of preferred dividends it pays the U.S. Treasury from \$2.87½ to \$3.50, which leaves plenty of room for an increase in the common dividend rate, now \$2.76. (By law, the common dividends can't exceed the preferred dividends.)

• • •

Nearly 7,000 Insurance Company Shares To Go on Block in Old-Time Auction

A rare Wall Street event—an actual stock auction—will be held next week, when nearly 7,000 shares of Eastern Life Insurance Co. of New York go on sale to the highest bidder. Only a handful of stock auctions have taken place in the past few years, but Milton Sanders, a New York attorney, says he thinks it is the best way to dispose of the Eastern Life Insurance shares.

Only about 2,500 shares of Eastern Life have been traded in some six months and he can't get a firm price on the stock.

The sale grows out of the dissolution of Judea Industrial Corp. of New York, which held a good chunk of Eastern Life's 132,000 outstanding shares. Most of these were distributed to Judea's shareholders, but 6,810 were left over, intended for stockholders who had either died or who could not be found. Sanders was appointed by the court to dispose of the stock. But he still reserves the right to reject all bids.

• • •

SEC Approves New Stock Exchange To Open in New York About Nov. 1

This week New York City got its third stock exchange, the nation its 14th, when the Securities & Exchange Commission approved the registration papers of the National Stock Exchange, Inc. Sponsored by the Mercantile Exchange—one of New York's smaller commodity markets—the new stock exchange will go into operation about November 1, after remodeling of the Mercantile Exchange building is completed.

Minimum listing requirements for the new exchange include: 500 stockholders, 150,000 shares outstanding, and a net worth exceeding \$1-million. The National Stock Exchange expects that about a dozen companies out of the several dozen applications on hand will be accepted.

The Mercantile Exchange is also out after more new business in its attempt to revive lagging commodity trading. It said this week that it is studying the possibility of opening a market to deal in lumber futures. Officials of the exchange and lumber shippers, distributors, and builders met to discuss the possibility, but the project immediately ran into tough sledding when big lumber shippers voiced their opposition, doubting the practicability of such a futures market.

Unofficial sentiment is that the project will eventually fall by the wayside. But talk is that a futures market in plywood alone may have a chance.

• • •

Court Rules That Name Sharing By Mutual Funds Is Out

The mutual fund industry has a new problem to contend with. A Delaware judge has said he will issue an injunction against the use of the name "Wellington" by Wellington Equity Fund, which is controlled and run by practically the same management as the Wellington Fund.

The suit was brought by two Wellington Fund stockholders, who felt the use of the well known Wellington name by the smaller Equity Fund (assets of \$43-million compared to Wellington Fund's \$1-billion) could damage the name. Actually, Wellington Equity has turned in a fine performance since its founding two years ago.

The court's decision is expected to be appealed, for if the decision is allowed to stand, many other funds in a similar position could be forced to drop affiliated names.

A REPORT TO MANAGEMENT ON HOW

Industry cuts costs with FIR PLYWOOD

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- ☐ _____



Plywood shipping crates save over \$19,000 per year for American Meter Co., Philadelphia. The switch to light, strong plywood crates for delicate gas meter diaphragms eliminated in-transit damage and cut shipping costs per trip from \$8.55 to \$2.07. Crates are re-usable; on return trips, four knocked-down crates take space of one assembled unit.

This fir plywood leisure home is one of 100,000 second homes built last year for vacations, retirement or investment. DFPA is developing this fast-growing market with plans, special promotions and Post advertising (500,000 inquiries to date). Plywood's size, strength and workability make it ideal for conventional or factory-built cabins. Whether thinking of the second home market for its business opportunities or planning your own leisure home, write for new cabin plans booklet and/or information on market opportunities.



Boxcar upgrading with fir plywood saves up to 30% per car at the Milwaukee Road's Northwest maintenance headquarters. Methods vary: if old lining is still fairly sound, plywood is stapled over it. Where old lining has to be removed, plywood is applied directly to car studs. The system saves time and money, produces first-class cars that start paying their way at once. Tough, rugged plywood linings are smooth and splinter-free and protect high-tariff loadings.

FOR MORE INFORMATION about fir plywood—its uses, properties and advantages—write
DOUGLAS FIR PLYWOOD ASSOCIATION
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 —an industry-wide organization devoted to research, promotion and quality control

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LABOR

Job Rulings Worry Employers

● Recent court and arbitration decisions favor job security for workers affected by plant closings or shifts.

● A new Senate bill would exclude the jobs issue from mandatory bargaining, but it has no chance this session.

● Meanwhile, employers fear a trend giving unions power over management decisions that cut jobs.

Can an employer be required to operate a plant or office no longer necessary or profitable, in order to provide continuing jobs for employees?

That's a question many employers seem worried about in view of an apparent trend in court and arbitration decisions in cases involving the transfer or closing of plants or branches. Its importance to management has led Sen. Everett M. Dirksen (R-Ill.) to ask Congress to limit the rights of unions to exert economic pressures against the elimination of jobs.

The Dirksen bill—which isn't given a ghost of a chance of passage this interim session—would amend federal labor laws to exclude the creation or discontinuance of jobs from "conditions of employment" subject to mandatory bargaining.

• **Order to Reopen**—Last week, a New York state court upheld an arbitrator's order that one employer—Hickory Clothes, Inc.—reopen in New York a plant similar in size and capacity to one transferred to Coffeeville, Miss., last May, and pay \$204,681 in damages to some 300 workers left without jobs when the plant was moved.

This decision by itself was enough to jolt many employers. However, there were two other cases to share attention:

• The general counsel of the National Labor Relations Board approved an unfair labor practices complaint—requested by the International Ladies' Garment Workers' Union—against Sidele Fashions, Inc., charged with closing a blouse-making plant in Philadelphia to "escape the union" at a new plant in Ware Shoals, S. C.

• Although a federal court in Detroit refused to enjoin the Crescent Brass & Pin Co. from moving to Americus, Ga., the court ruled that a United Auto Workers contract can't be left behind if Crescent moves.

In an earlier case, the U. S. Supreme Court held that a union may strike lawfully to prevent a railroad from closing stations no longer profitable.

• **Special Conditions**—The four cases involve different and special circum-

stances. Many employers can—and do—shift plants or shut down operations without tangling with unions in courts or without the harassment of union picket lines. But it's axiomatic that what one union gains by bargaining or legal order, other unions will go after.

With labor increasingly concerned over employment security, it's almost certain that unions will tighten their resistance to plant shifts and shutdowns, now that there appears to be growing precedent for protecting job rights.

• **Rail Case**—Generally, the railroad case decided by the Supreme Court is causing employers the most concern. The Chicago & North Western Railway attempted to regroup a number of little-used freight stations in nine states so as to reduce operating costs. The road said that in some of them, employees were getting a full day's pay for as little as 12 minutes' work a day.

The Order of Railroad Telegraphers demanded that the C&NW negotiate with it on steps to cushion the impact of closings on some 100 telegraphers. It cited the job stabilization clause of the Railway Labor Act (BW—Aug. 6 '60, p25). The road denied that the closings issue—involving a management right—was within the scope of mandatory bargaining under the Railway Labor Act.

On April 18, the high court held in effect that it was a bargaining issue because closings would change "conditions of employment."

Railroad labor hailed the decision as important legal support for the unions' spreading fight for stabilization of employment. The carriers deplored it as one that "confronts railroads with the threat of completely new 'featherbedding' work practices of an even greater magnitude"—the threat of having to maintain unnecessary facilities.

• **Shifted Shops**—Employers are also concerned over the New York garment shop arbitration case.

Hickory Clothes, Inc., operated until May in New York under an Amalgamated Clothing Workers of America

contract negotiated through the New York Clothing Manufacturers Exchange. Hickory's president, Jack Meilman, was a director of the employers' exchange when the contract pact was signed.

Under terms of the ACWA agreement, employers are barred from moving plants without taking the shift up first with the union. Should a dispute arise, arbitration is required.

According to Meilman, the Hickory Clothes plant in New York went out of business in May. Its equipment was transferred to a new company in a community-built \$360,000 plant in Coffeeville, Miss.

In arbitration proceedings and in court, the union charged that Meilman did not consult the union in a "calculated and deliberate" violation of the labor contract.

Meilman did not participate in the arbitration; he contended that the New York and Mississippi operations are entirely separate. Prof. Herman A. Gray of the New York University Law School, the arbitrator, disagreed. He ordered the New York plant reopened to restore the jobs of the 300 "stranded" employees, and ordered the \$204,681 damages for lost wages, welfare fund payments, vacations, and other benefits.

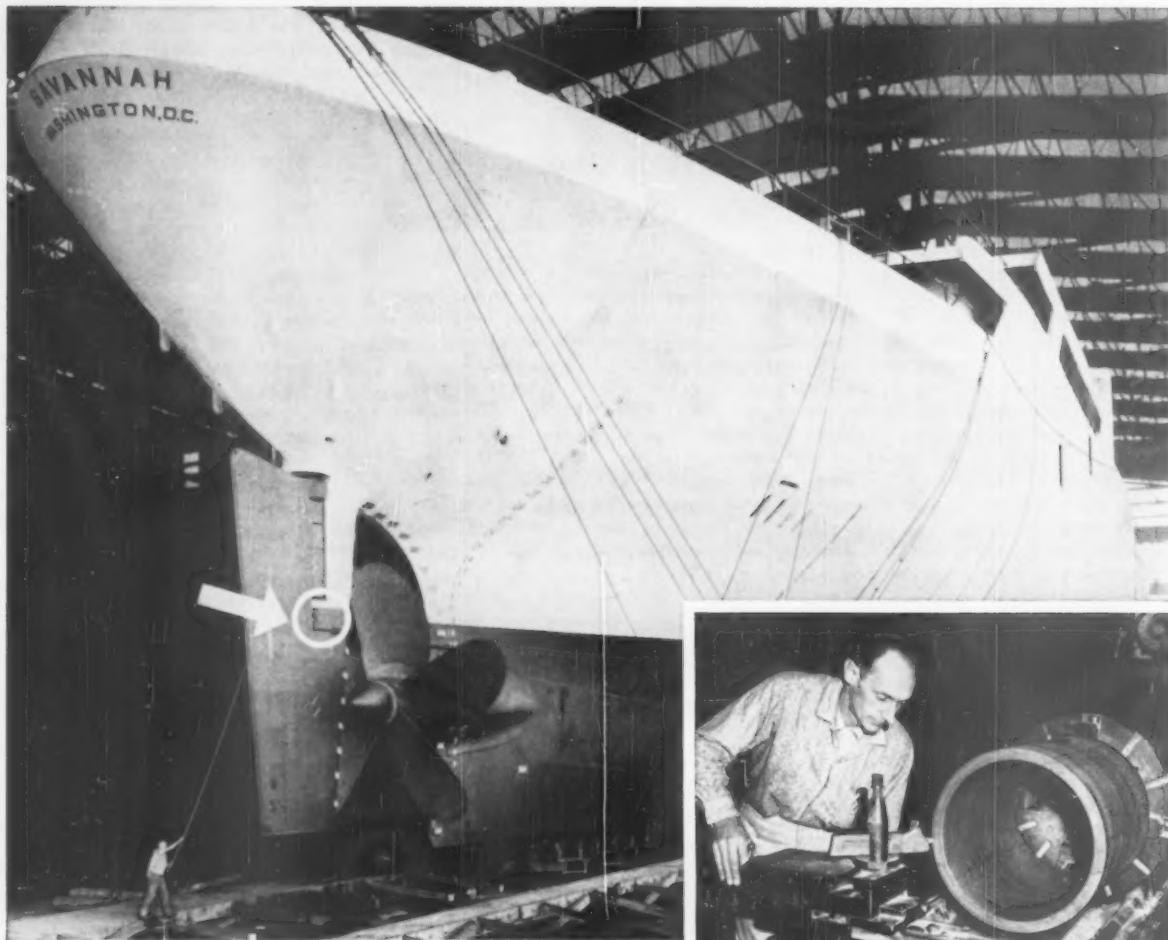
Meilman went to court to upset the arbitrator's award—and was rebuffed. The court held the award was "bottomed on uncontroverted evidence . . . amply supported by the record." The case will be appealed further.

• **UAW Wins on Pact**—In the United Auto Workers case, the union lost a fight to bar the Crescent Brass & Pin Co. from moving to Americus, Ga. However, it may have won a more important fight.

Some ten years ago unions began writing job transfer clauses into contracts. In the case of UAW, these usually specify: "In the event that the plant and/or any of its operations are moved, or the name is changed by any of the owners, this contract shall continue in effect until its expiration date and all employees shall be offered an opportunity to transfer also."

According to UAW attorneys, a federal court ruling had never been sought to make the protective clause "meaningful and binding" until the Crescent case went to court. Federal District Court Judge Ralph M. Freeman upheld it in an order requiring the company to live up to terms of the UAW contract if it moves south. Any new employees hired must come under the union agreement. **END**

Fabric helps world's first nuclear merchant ship steer true course



Above: Arrow indicates vital Micarta bushing, made with Wellington Sears base fabric. Right: Bushing similar to one on Savannah is being precision-machined.

With the N. S. Savannah ready to start setting new trans-oceanic speed records for merchant ships, a 60-lb. bushing enclosing its rudder pintle assumes great responsibility for keeping the nuclear-powered ship on course.

This type of bushing, while relatively insignificant on ordinary vessels, is of great importance on the Savannah because of the unusual stresses placed on the rudder by the ship's added speed.

The material selected for this vital job is Westinghouse Micarta, using Wellington Sears base fabric. This is a phenolic laminate made by impregnating sheets of fabric with resin and combining them under heat and high pressure. It was

chosen, according to architect George G. Sharp, "for economy, utility, efficiency, and safety of the ship." The bushing was fabricated by Hershell Engineering & Supply Company of Philadelphia, a member of the Micarta Fabricators Association.

Providing base fabrics that solve such complex problems as this is only one of the many ways Wellington Sears meets the changing fabric needs of industry. Why not find out how our 114 years of experience can help solve your problems with fabrics for laminating, coating, rubberizing and other industrial applications. Write today for free illustrated booklet, "Fabrics Plus," Dept. C-8.

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In Labor

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Pratt & Whitney Workers End Walkout On Terms Similar to Pre-Strike Offer

A vote count after a referendum in a local theater (picture) last week showed Pratt & Whitney Aircraft strikers 2,319 to 316 in favor of ending their 63-day walkout in Hartford, Conn. The vote was a grim one. The settlement terms were basically the same as a pre-strike offer. Rejected again just a few days before, they were accepted in desperation after other United Aircraft divisions settled.

Many of the International Assn. of Machinists strikers will not return to work immediately. The two-year agreement specifies that only those whose jobs weren't filled while the plant operated during the walkout would be called back. The others will be given preference in future hiring.



• • •

Zenith Strikers Return to Work After Pay Accord Is Reached

Zenith Radio Corp. resumed production this week at four Chicago factories after 6,000 workers ended a four-day strike—the first in Zenith's 42-year history. The employees' independent union accepted a Zenith offer of pay increases of 6¢ to 9¢ an hour, retroactive to July 18.

The union had demanded a 10¢ raise, back to July 1. Retroactive payments became a key issue in the wage dispute and work stoppage. The union canceled its contract July 29. Zenith then put into effect raises of from 5¢ to 7¢ an hour, and urged all employees to return to jobs. Some did.

As tensions mounted, mediators got the parties to compromise their positions for a strike-ending agreement.

• • •

Public Review Board Refuses to Probe UAW Charges Against Goldwater

The United Auto Workers Public Review Board—an outside board designated to protect the democratic rights of rank-and-file auto unionists—has dismissed a UAW complaint that charges against the union by Sen. Barry Goldwater (R-Ariz.) were "politically inspired."

The charges, brought out near the end of the McClellan committee hearings, included among other things that a "clear pattern of crime and violence" can be found in UAW strikes and that the auto union is just as prone

to corruption and underworld alliances as the Teamsters (BW—Mar.12'60,p43).

The return complaint by UAW Pres. Walter Reuther and his executive board made the seven public-spirited citizens on the Public Review Board juggle a very hot potato. Loathe to participate in an obvious political pillow fight between old adversaries Goldwater and Reuther, they called on UAW to supply more information on why the charges were a proper matter for Public Review Board attention. The union sent a complete copy of the Republican minority report on the Senate probing and repeated the conclusion that the union wanted the board to make: that the report was "a politically inspired document."

This wasn't enough for the Public Review Board. It wrote the union that it hadn't made a case.

• • •

Building Trades Cool on Kennedy, UAW; Won't Join Detroit Labor Day Rally

Unions are getting set for another "biggest" Labor Day celebration—this year one with strong Democratic political overtones. Partly because of that, the Detroit Building Trades Council has decided against participating officially in the Labor Day march and rally planned there.

The Council recently decided that Detroit area building tradesmen—some 85,000 in three counties—can find "something better to do with a holiday weekend than march in a two and a half hour parade."

There's probably more to the decision than just that. It undoubtedly reflects:

- The strain between the building trades and AFL-CIO industrial unions sponsoring the observance—particularly, in Detroit, between crafts and the United Auto Workers.

- The strong influence of James R. Hoffa and the Teamsters on the Detroit Council; Hoffa strongly disapproves of Sen. John F. Kennedy, the Democrats' Presidential nominee, so the Council is cool toward him, too.

Sen. Kennedy will open his campaign with an important address at the Detroit Labor Day rally in Cadillac Square—as Harry Truman did in 1948 and Adlai Stevenson in 1952 and 1956.

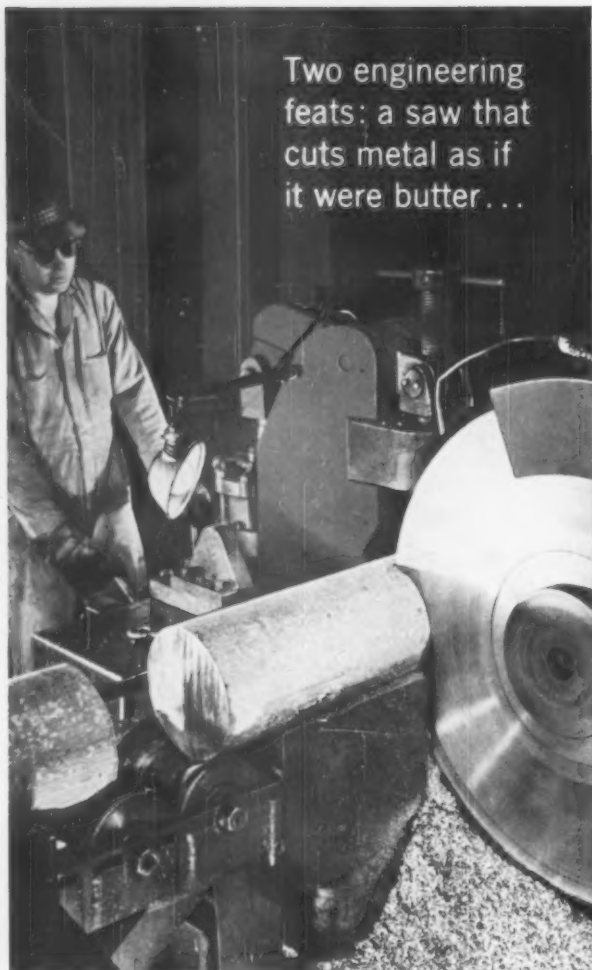
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Labor Briefs

AFL-CIO industrial unions suffered a setback last week in their first joint organizing test in the Philadelphia area. Employees of Oppenheimer Plastics, Inc., rejected representation by the United Auto Workers 51 to 10 in a National Labor Relations Board election.

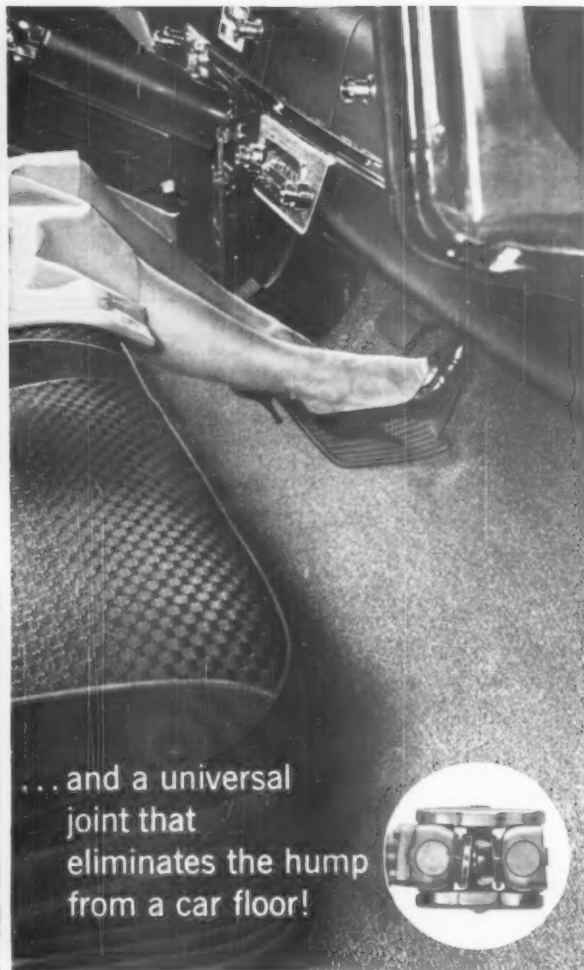
Oppenheimer Plastics was the initial target of the unions' campaign to spur organizing in small industrial plants in the Philadelphia area (BW—Jul.30'60,p45).

General Electric has told the International Union of Electrical Workers and other unions that bargain with the company that it will propose shortly terms "aimed at lessening effects of job instability." But GE warned that its 1960 offer "must necessarily be less substantial than in recent years."



Two engineering
feats: a saw that
cuts metal as if
it were butter...

Everything from patio furniture to space age rockets uses metal parts cut first from crude billets by "curled chip" segmental saws, products of B-W's Atkins Saw Division. Teeth of this patented design lift chips in a continuous curling action, leave tooth edge clean and free-cutting—even when metal being cut has the clogging and hard-to-machine characteristics of copper alloy.

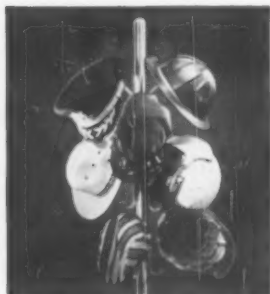


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Mechanics Universal Joint Division has put over five years of concentrated effort into this new double Cardan joint that transmits power at constant velocity through any angle. To attain durability, an ingenious wear compensator was invented—and 60,000 test miles over desert, mountains, salt flats have proved the joint. Result? Driveshafts can be dropped—floors, front and back, flattened.

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steel and chemicals; (middle)
agriculture; industrial machin-
ery; aviation; (bottom) automo-
tive industry; home equipment.

At Borg-Warner, we're forever alert to the development of markets abroad. Case in point: England, where a \$12,000,000 expansion program of Borg-Warner Limited is more than doubling its capacity to meet British and continental European small-car automatic transmission requirements. Borg-Warner (Australia) Limited now has over 1,000 employees to manufacture such products as transmissions, locomotive gear-boxes and industrial forgings for that expanding market. Other B-W divisions and subsidiaries operating beyond U.S.

boundaries: Byron Jackson (pumps, oil well products and services) in Canada, Mexico, The Netherlands; Borg & Beck (automotive clutches) in Brazil; Long Manufacturing (automotive components), Cello Products (pipe fittings) and Warner Gear (synchronizer units) in Canada; Morse Chain (timing and roller chains) in Canada and England; York Shipley (refrigeration and air conditioning equipment) in England. Might we add, too, that Borg-Warner is poised—ready for expansion throughout the free world.



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PERSONAL BUSINESS

BUSINESS WEEK

AUG. 20, 1960



Some new life-insurance "savings" are available now:

- Discounts for paying premiums in advance are increasing.
- Premium rates for women are coming down.

Top rate on discounts has been 3% since World War II. About 20 leading life companies—including Guardian, Massachusetts Mutual, and Prudential—plus several regional companies, have boosted advance-premium discounts to 4%. Some 30 others have gone to 3½% or 3¾%. And other companies plan to follow suit.

This shouldn't lead you to go out and buy a policy, just to pick up the discount rate. But if you already have a sizable "life" portfolio, you might want to take advantage of the discounts. You can pay up to 20 years' worth of premiums in advance, and so, in a sense, "earn" up to 4% on your money. This earning, of course, is tax-free.

Another advantage: If you want to draw back part or all of your advance payments at a future date, you can usually do so without penalty.

Over 100 companies have been offering lower premium rates for women—but only on a restricted basis. Now, this cost-saving idea is spreading rapidly to cover most types of policies, including straight life.

"Bargain" rates are from 5% to 15% lower than comparable rates for men. They depend on the woman's age and the type of policy. Here's one example: Say your wife is age 45. Normally, to buy a \$25,000 straight life policy, she would pay about \$715 a year. With the rate advantage, the premium would be \$635—an \$80, or 11%, saving.

So far, a few companies—for instance, Aetna, Connecticut General, and United States Life—have adopted the idea. By yearend, about 30 to 40 companies will be on the list. All of the state insurance commissions except Mississippi will approve the plan by 1961.

—•—

Fine imported Havana cigars soon may be in short supply because of Cuba's political troubles. Here are some tips on laying in a private stock:

Order a humidor—holding 50, 100, 200, or 500 cigars—from any well established tobacco dealer. The 50-size costs about \$12 to \$20 in walnut or mahogany; the 500-size, around \$550 or \$600—and this custom-made humidor is about as big as a TV set.

Or have a cabinetmaker build one for you, probably at a small fraction of this cost. It can be large enough to hold two or three years' supply. (Havanas will stay fresh this long if properly kept.) Box walls should be ½ inch thick, of hard wood, with cedar lining the inner sides and "milk" glass covering the inner top and bottom. Small moisture units go inside (and must be periodically watered).

An even simpler idea is to make a deal with your cigar supplier. Guarantee that you'll buy, say, a 25-box a week. He'll set aside your brand; then you take the supply as agreed (usually up to 1,000 cigars). Caution: In regular thin boxes, cigars are good for only about 60 days. Another point: Don't use a refrigerator for storage—food aromas get picked up quite easily.

If you're a novice at cigar buying, always get "clear Havana"—cigars made entirely of Cuban leaf. You can't tell quality by size, shape, or color; it's not true, by the way, that a green wrapper is a sure mark of top quality. Fine Havanas come in both green (candella) and dark (obscura) wrappers.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

AUG. 20, 1960

Sizes vary from panatela (small blunt), starting at 25¢, to the large "double" corona, at 75¢ or 80¢.

Special "Churchill" sizes are \$1 to \$1.25. Among best-known Havana imports are Amististas, Cabanas, Jose Piedra, Monte Cristo, Partagas, Por Larranaga, Ramon Allones, Romeo y Julieta, and Uppman.

—●—

Tax deductions involving expense accounts and entertainment will soon get a closer going over than ever before. Internal Revenue Service has just employed 1,500 new agents and officers to scrutinize returns. It also will locate taxpayers anywhere in the U. S. through a comprehensive record on magnetic tape.

If you hit a snag over disputed items, IRS's newly revised conference procedure may save you time and money. All district offices now have a "conference coordinator" to expedite early agreements at the discussion level. This can cut out lengthy, costly administrative and court processes.

—●—

Football: If you're on a fund-raising committee for your alma mater, look into the possibility of televising some of your college's football games on closed circuit in various cities. Say you'd have five alumni chapters taking part. Then the tab per location would run anywhere from \$2,100 to \$4,000. Of course, the more locations involved, the less it will cost for each. Two companies that handle this closed-circuit coverage are Group Communications Div., Teleprompter Corp., 311 W. 43rd St., New York 36, and General Television Network, 1280 Fifth Ave., New York 29.

—●—

Don't be surprised at delays if you're awaiting the arrival of a domestic servant from abroad (BW—May2'59,p89). The State Dept. has ordered a careful review of all employment offers made to foreign domestics before it grants them working visas. Reason: to preclude arrangements where household employees wind up receiving rock-bottom wages—hardly enough to live on.

—●—

Sports equipment: You won't need a golf ball or tee to practice your swing with a new club called the Swing-Rite. It clicks with the sound of a ball's being hit—but only when your coordination is perfect (\$24.95).

For fishermen who enjoy the sport at night, there'll soon be a new fishing light on the market. Mounted on a flexible coil, the battery-operated Flex-Light clips to a jacket pocket for convenience in baiting (\$4.95).

—●—

Potpourri: Raytheon has developed subminiature transistors (about the size of a grain of rice) for smaller hearing aids. . . . For more shade around your pool or patio, you can order a giant umbrella of weatherproof vinyl-coated nylon, 26 ft. in diameter and 15 ft. high (Aeroaffiliates, Inc., P.O. Box 4125, Fort Worth, Tex.; \$795). . . . A Honolulu designer offers plans for a portable two-story beach house on three 8-by-12-ft. skids; estimated price, \$3,400 for timber and fittings, plus \$2,500 for labor; \$350 for four sets of plans (Lawson Butt, Jr., 1639 Kapiolani Blvd., Honolulu). . . . Real do-it-yourself buffs can try a Bocar kit for making a small fun-and-racing sports roadster (\$3,600 without engine; Bocar Mfg. Co., Denver, Colo.).

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What a memory! How do you check quality and record it on coils of tinplate up to three miles long? New Cutler-Hammer sensing, memory device does it. It's the first of its kind anywhere.

What a view! Here's a radar picture of all runways at Idlewild Airport. It's so clear you could identify a horse two miles away! Another Cutler-Hammer development.





What's new in control for automation?

An automatic warehouse that tells car bodies when to stop and go

Cutler-Hammer system directs car bodies to and from storage area for a major automobile manufacturer.

The need was for a buffer storage area for car bodies between the assembly plant and the body building plant.

Before this storage area idea was conceived, car bodies went from the line of the body plant right to the line of the assembly plant. If one line had to shut down, the other did, too.

Cutler-Hammer systems control men developed the electrical control that sorts the car bodies coming from the body plant to one of eleven storage conveyors. Also, any body style can be taken off the conveyor and sent to the assembly line.

And, now? No shutdowns in one plant if the other is shut down temporarily. Any body style needed can be put on the assembly line. Couldn't be done before. So now, parts shortages affecting one body style don't affect production.

The conveyor system installed only last year is paying big dividends in reduced assembly line costs. As a result, several similar installations have been ordered.

The importance of an electrical control man. A Cutler-Hammer control man can bring wide experience to your automation planning table. He's handled many different products. He's worked with many different systems. With the proper control recommendations, many thousands of dollars can be saved.

The big change at Cutler-Hammer. You can see a change at Cutler-Hammer. We've prepared for the expected growth in the sixties with new, better products, new plant capacities, new engineering talent. If you're planning ahead, we'd like to talk to you. We could save you time and money in your automation planning. Contact the Cutler-Hammer sales office nearest you to see how.

Automation is more efficient when the control expert is called in early.

WHAT'S NEW? ASK...

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BUSINESS ABROAD



MIKOYAN of Russia, left, visited Gen. Kassem this spring. But Iraq is still waiting for Reds' earlier promises to be carried out.



KASSEM was idol of crowd at July, 1959, celebration of revolution. This year, crowd had to be kept away by tanks, barbed wire.

Reds Alienate People in Iraq

They're on the way out after being in favor. But so may be Gen. Kassem, hero of Iraq's revolution.

A little more than two years ago, Iraq's then-new revolutionary government withdrew the oil-rich country from the Baghdad Pact and opened its doors to the Communists. As they flooded in, Iraq—led by Gen. Kassem—stood as a monumental failure of Western policy.

Today, Iraq is turning away from the Communists. And it stands as a monument to Moscow's clumsiness in the Middle East.

Largely because he gave the Communists their head, Gen. Kassem's popularity has diminished. He may be on the way out, too.

• **All in Reds Favor**—The Communists got off to an auspicious start in Iraq. Along with Army officers, Nasserites, and secret political groups, the Iraqi Communist Party played a major role in overthrowing the corrupt but pro-Western regime of Nuri es-Said.

Thinking he could rely on Iraqi Communists to suppress the Nasserites, who were clamoring for union with the United Arab Republic, Kassem allowed the Communists after the revolution to organize an armed People's Resistance Movement.

Chaos grew. Under the guise of fighting Nasserism, imperialism, and the remnants of monarchy, the Communists fought all non-Communists. Executions in the street were common. The reign of terror reached a climax in the Kirkuk massacres last year.

• **Boring In**—At the same time, Communist Party members infiltrated central and provincial administrations, trade unions, and student organizations. In key departments of the ministries, Communist and pro-Communist officials purged the moderates. For a while last year, the entire northern half of Iraq—including some major oil fields—was run by Communist action committees. The region was virtually cut off from Baghdad's control.

The Russians sent more than 300 advisers and technicians to Iraq, signed a \$125-million loan agreement, and brought many Iraqi students to Moscow University—which made way for them by doubling up students from Cairo, many of whom returned home in indignation.

While the Communists dug in, Western interests suffered. The government canceled contracts with a number of companies, including Ralph M. Parsons, Ebasco Services, and Tippetts



Abbett McCarthy Stratton. The International Cooperation Administration finished its technical assistance programs and pulled out. U.S. exports to Iraq, never impressive, sagged from \$40-million in 1957 to \$27.5-million last year. British exports fell off, too.

• **Stubbing Their Toes**—As they moved in, however, the Communists started stubbing their toes. Russian advisers were below par in skill, and they often rubbed Iraqis the wrong way. Many Russians spoke neither Arabic nor English. So, although they earned less than the Western advisers they replaced, they actually cost Iraq nearly as much because they required more interpreters.

• **Three Men on a Beer**—Moreover, the Russians plowed little of their earnings back into Iraq's economy. Because the Soviet Embassy remitted to Moscow about 80% of their pay, they were forced to live frugally. That often meant no tipping, walking instead of taking taxis, overcrowding in apartments.

Iraqis tell of three Russians who entered a bar, split a bottle of beer, and played chess all evening without ordering more. With some contempt, Iraqis also say Soviet advisers spent much of their money in Baghdad's bazaar buying secondhand clothing.

• **Disillusion**—As minor irritations mounted, disillusion with Soviet aid began to set in. Of 24 major industrial projects promised by the Soviets, none has gotten beyond the discussion or survey stage. Some radio and TV equipment has been delivered.

Russia's Gosbank also wounded Iraq pride with a contemptuous attitude

toward the Iraq dinar. Gen. Kassem's government values the dinar at \$2.80, the Russians at far less.

"They sometimes don't even do us the courtesy of recognizing the dinar," an Iraqi diplomat just back from Moscow said. "When I was in Moscow, I couldn't exchange my dinars for rubles at the bank. We were very poor cousins."

• **Product of Terrorism**—What really turned the tide against the Communists, however, were the actions of the Iraqi Communist Party. Its terrorist tactics generated a strong reaction. Today, in certain provinces and in parts of Baghdad it is unsafe for Communists to appear in the streets.

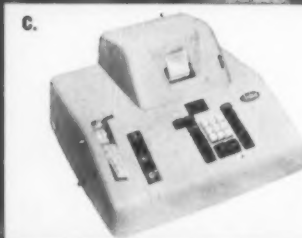
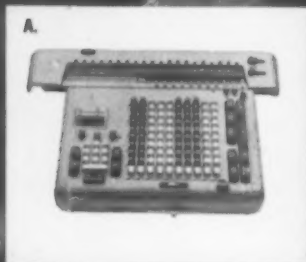
Furthermore, discipline broke down in unions infiltrated by Communists. Railway workers, for instance, often put in only three hours a day. In a single month, 140 trains failed to make their schedules.

Instead of strengthening Iraq, the revolution began tearing it apart. Iraqis who had foreign currency transferred some \$300-million to banks in Lebanon and Switzerland. Unemployment stayed high. Costs rose. Inflation set in.

• **Last Straw**—At this point, the Communists tried to infiltrate the Army's high command and the police force. Army Chief of Staff Ahmed Saleh el-Abdi stepped in and asked Kassem to call a halt. Kassem was ready to do it, since the Communists, in decimating middle political forces, had left Kassem with little popular support. Besides, Kassem could not stay in office without the Army's backing.

The Army disarmed and disbanded the Communists' Popular Resistance.

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... Kassem has turned to Western Europe for part of what the Soviets failed to do ...

(STORY on page 103)

When they lost their private army, the Communists began a fast decline. In trade union elections, Communist leadership was neutralized, though not totally cast out. When Kassem licensed political parties, he ignored the orthodox Communist party and gave license to a milder splinter group of Communists.

• **Retaliation**—Communist propaganda was banned in several provinces, and gangs that had terrorized villages were now targets for sniping by non-Communist citizens.

People who had suffered from the Communists turned on them. Iraq's Director-General of Railways, Salik Zaki Towfiq, said in a formal statement that the Communists had won union elections by threatening those who voted against them and that "we have purged the organization of persons like these." Newspapers attacked the Communist Party. Military courts passed severe sentences on terrorists.

• **Still a Foothold**—The Communists have not abandoned all their gains. They still have strength in the government, particularly in the propaganda and oil ministries.

Communist newspapers in Iraq, although they complain of persecution, are still being published and have a wide readership among the lower middle class. The party still has the power to whip up mobs; it has some support among junior army officers.

• **Kassem's Position**—Meanwhile, Kassem is just trying to hold on even though the Army, his political mainstay, is said to favor change.

Middle East observers say that army circles would like to replace Kassem with Mohammed Hadid, former finance minister for Kassem who has a wide middle-class following. Hadid is a wealthy, moderate leftist with a good understanding of economy.

In trying to strengthen his position, Kassem has arranged a temporary truce with Pres. Nasser of the U.A.R.—who sees advantages in having stable government in Iraq. If the Communists should overthrow Kassem, Nasser would lose all chance of bringing Iraq within Cairo's fold.

Kassem also is trying to extract more revenue from his main source of income, the Iraq Petroleum Co., owned by U.S., British, Dutch, and French oil companies. Talks with IPC officials are under way in Baghdad.

• **Turning Westward**—For part of what



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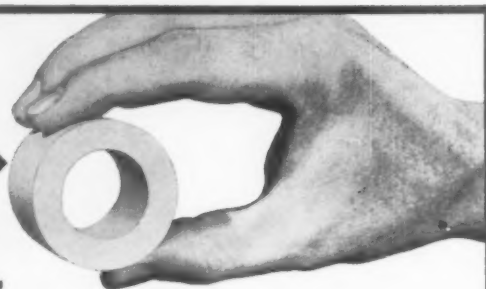
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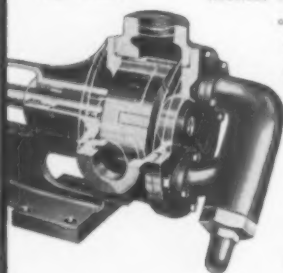


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... speculation in Baghdad
is that the revolution's third
year may be the last one for
Kassem ...

(STORY on page 103)

the Soviets have failed to do, Kassem has turned to Western Europe. He has hired Danish firms to help him get light manufacturing on its feet. Belgian consultants for power and sewage projects, Dutch advisers for his Baghdad civic center, and three European airlines—Swissair, Scandinavian Airlines System, and Holland's KLM—for technical assistance for Iraqi Airways.

Perhaps more galling to Moscow, Kassem has contracted with Communist Yugoslavia for consultations on dams and artesian wells. He also has appealed for help from the United Nations' specialized agencies.

• **Business Prospects**—Although Iraq is opening up a bit for Western business, British and U.S. businessmen are understandably cautious. West German companies, however, have bid for and won contracts for a number of Iraqi projects: the Kut Bridge on the Tigris, the Karradah Bridge in Baghdad, and a water control project on the Gharraf River. The West Germans are staging their biggest Middle East trade fair in Baghdad this year.

At present, West Germans, Scandinavians, and a Yugoslav-Iraqi group are competing for a contract to build three hospitals that will cost about \$30-million.

The Iraqis have just decided to seek bids on 40 or 50 diesel electric locomotives for use on the Baghdad-Basrah railway, which the Soviet Union is broadening for the new government.

• **Fallen Hero**—It may be too late for Kassem to recover the popularity he enjoyed when he came to power. The Communists have left him very weak. Speculation in Baghdad is that the revolution's third year may be the last one for Kassem.

On the revolution's first anniversary, July 14, 1959, Kassem was a national hero. He was hailed as The Awhad, "The Sole Leader." Frenzied mobs regarded him as a saint and fought for a chance to touch his sleeves and kiss the dust from his shoes.

The same ceremony this year was in severe contrast. The "Sole Leader" took the Army's salute in the same Liberation Square. But there were no frenzied mobs. Kassem, who had barely escaped with his life from an assassination attempt during the year, had ordered the square sealed off from the rest of the city. Crowds were kept a half-mile from Kassem; in between were barbed wire and armored cars. **END**

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Manager of Farmers' Underwriters Association, Los Angeles, California. "We find," he added, "that most of the men prefer driving one of our 64 Corvairs because they're so comfortable, easy to handle and have so much usable luggage space."

Mr. Derby's records show that Corvair is a real penny-pincher when it comes to gas. Many of his men have averaged as high as 21½ m.p.g. through busy Los Angeles traffic. And for long trips, Corvair's rear seat folds down for extra cargo space.

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In Business Abroad

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Shell, Socony, and British Petroleum Cut Prices for Mideast Crude

Shell, Socony Mobil, and British Petroleum have joined Standard Oil Co. (N.J.) in cutting prices for Middle East crude oils. Other majors are expected to follow suit with reductions averaging about 12¢ a bbl.

Jersey's Esso Export Corp. made the first price reduction last week (BW—Aug. 13 '60, p. 34). The company said its move was influenced by widespread discounts below the old posted prices. The discounts have been accentuated by Soviet offers of cut-rate oil.

Soon after Jersey's announcement, Shell and British Petroleum lowered prices for refined products, but held off an immediate cut in crude prices, mostly to avoid conflict with producing countries, whose royalties are based on the full posted price.

British Petroleum's cuts were more modest than the others, underscoring the company's disapproval of price reductions that have an unfavorable effect on relations with producing countries in the Middle East.

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British Overseas Investments Up, Close to Prewar Level, Survey Shows

Recent calculations published by one of the big British banks—the Westminster—show that Britain has been making good the heavy erosion of its overseas investments that went on during World War II. According to a survey in the Westminster Bank Review, the book value of British private investments abroad now totals some \$19.6-billion. This is getting close to what it was in 1939, after you allow for the change in the value of money.

Up to now, though, Britain hasn't been taking a proportionately large cash return on these investments. Otherwise, investment income would be showing up as a much larger credit item in the payments ledger than has actually been the case. The explanation: Britons investing abroad have been ploughing back their profits just as American overseas investors have been doing.

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Argument Over Rates to Be Charged Delays Start of Ghana Hydro Project

Another snag is slowing international negotiations over the multimillion-dollar Volta River power and aluminum project in the West African state of Ghana. The consortium headed by the Kaiser organization objects to the power rates suggested by the World Bank and the Ghana government.

The Kaiser-led consortium—Volta Aluminum Co. (Valco)—proposes to build reduction plants to process alumina that originates in bauxite mined near the Volta.

Power would come from a hydroelectric complex financed by the World Bank, the Ghana government, and possibly loans from Western countries.

This week, Valco planners were meeting with World Bank and State Dept. officials to work out a compromise on rates. A possible solution is enlistment of the State Dept.'s Development Loan Fund in the project. Since DLF can charge lower interest on loans than the World Bank, power rates would be less if DLF participated.

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Western Oil Companies Remain Calm As Indonesian Union Cries Nationalize

Three Western oil companies are in a potentially tough spot in Indonesia.

Last week, the Communist-dominated oil workers union called for nationalization of the facilities of Caltex, Standard Vacuum, and Shell. An Indonesian government spokesman rebuffed the union, but said that the companies would be nationalized eventually.

Spokesmen for Stanvac and Caltex said they see no immediate threat. Indonesian nationalists have been talking about taking over the oil companies since Dutch-owned investments were nationalized several years ago. Shell has refused to comment so far.

• • •

Russian Iron Ore Exports Slated For Europe and Asia in Near Future

Russia will start exporting "considerable quantities" of iron ore to Europe and Asia within the next few years after development of the iron-rich Kursk Magnetic Anomaly, according to the Soviet's Minister of Geology.

Pyotr Antropov says serious development of the area started only recently, although the region, in European Russia, has been known since the 18th Century.

Soviet geologists estimate Kursk deposits at 200-billion tons, including 30-billion tons of high-grade ore. High-grade ores surveyed elsewhere in the world total 40-billion tons, they say.

By 1965, Kursk is scheduled to produce 36-million tons annually. Today, the Russians mine about 103-million tons annually.

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Business Abroad Briefs

Fidel Castro's government has seized the U.S.-owned Moa Bay Mining Co.'s \$75-million nickel and cobalt plant in Cuba's Oriente Province. This was the last of the big U.S. private investments in Cuba.

The World Bank's 31 loans during the fiscal year ended June 30 amounted to \$658.7-million. Its total reserves were raised to \$506.4-million.

Westinghouse Electric Corp. has signed a \$20-million contract with the Mexican government to supply equipment for a 225,000-kw. power station near Tijuana, 10 miles south of the U.S. border.



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ECONOMICS

Putting Union Funds to Work

AFL-CIO executive council approves plan to help unions invest their welfare reserve funds in government-backed home mortgages.

Over the past year or so, many AFL-CIO leaders have urged that labor shift from its traditional conservatism in handling union fund reserves and put its growing wealth to work for social purposes—to finance housing, hospitals, and the like.

This week, the federation's 29-man executive council took a significant step in that direction. It approved a plan under which billions of dollars of international and local union welfare fund reserves may be poured into the home building market, through investments in government-backed mortgages.

- **Labor Complaints**—Labor economists have argued for some time that housing has been priced too high and that construction money has been too hard to get. Unions complain that home building—and building trades employment—is lagging because of this.

Labor has lobbied vigorously on Capitol Hill for Congressional help for an "effective" home building program. Failing to get the stimulation sought by legislation, labor's leaders decided to use the unions' billions of dollars in welfare fund reserves for investments.

- **Multiple Benefits**—They believe that they can accomplish a number of things by the release of funds:

- **Mortgage money** should be easier to get and cheaper; the federation hopes that its entrance into the home building loan field will help bring down the costs of borrowing at banks and other lending institutions.

- As a result of this, construction should be "substantially" increased—and building trades jobs will pick up; a general bolstering of appliance and other allied industries is expected as an indirect result.

- And, from an investment standpoint, it sees reserves put to a more profitable use. Now, the funds (upwards of \$30-billion) mostly are invested in government bonds with an interest return of about 3%. The proposed investment program will yield about 5%.

- **Discounting**—George Meany, AFL-CIO president, emphasized that most of the savings would result from a hoped-for elimination of discounting practices prevalent in Federal Housing Administration and Veterans' Administration loans. These may add as much as \$1,200 to the cost of a \$16,000 single family home, Meany said.

The maximum interest rate that may be charged for FHA and VA loans is set by law. However, under now-common discounting practices, a lender charges a premium, to boost his return to the amount he could get from a conventional loan.

The AFL-CIO council voted to establish an Investment Dept., under a full-time director, to guide unions in their investments.

The International Brotherhood of Electrical Workers is the only building trades union investing substantially in government-backed mortgages now.

Other unions making substantial investments are the International Ladies' Garment Workers' Union, about \$100-million; the Amalgamated Clothing Workers of America, and the Building Service Employees' International Union, which is sponsoring Marina City—a \$25-million apartment and business project on the north bank of the Chicago River.

Deep Analysis

New stock market study will go broader and deeper than ever before. Merrill Lynch is behind it.

Bombarded from all sides by the verbiage pouring out of the investment services and the brokerage houses, the ordinary investor must surely feel that not a single source of information about the stock market remains untapped.

But the largest brokerage house of them all—Merrill Lynch, Pierce, Fenner & Smith—doesn't agree. The University of Chicago's Graduate School of Business announced this week it has received a grant of \$50,000 from Merrill Lynch to finance the most comprehensive analysis of the stock market ever undertaken.

- **To File Data**—The immediate purpose of the project will be to create a file of information that can be used by the university's Remington Rand Univac. On 800,000 cards will be recorded all the normally reported statistical data on the New York Stock Exchange: monthly closing prices of all common stocks, monthly trading volume, cash dividends, and all capital adjustments such as splits, rights, and stock divi-

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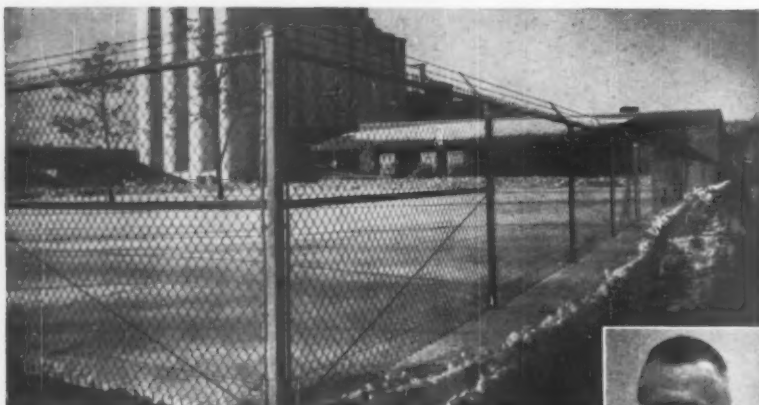
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dends. Data on earnings and the number of outstanding shares will also be included.

• **Other Studies**—The study that Merrill Lynch is financing is only one of several similar attempts. Sidney Cottle, senior economist of the Stanford Research Institute, completed a massive statistical study of corporate earning power and market valuation last year. And three large public accounting firms—Arthur Young & Co., Arthur Andersen & Co., and Lybrand, Ross Bros. & Montgomery—have mathematicians at work on mathematical models of stock and commodity prices for their clients. The idea is to provide a guide that companies active in the stock or commodity markets can use in their day-to-day businesses.

The techniques that the accounting firms are using don't have the same broad-brush approach that characterizes the Merrill Lynch study. But the idea is the same: to use sophisticated mathematical analysis to find out what makes stock and commodity prices move.

The project was initiated by Merrill Lynch because it feels that some basic questions, which should have simple numerical answers, can't be dealt with by use of existing market indexes. These indexes are all based on samples and are, therefore, incomplete.

• **Actual Answers**—Merrill Lynch expects that, when the project is completed next March, it will provide:

- The still unknown answer to the question—if you invested \$100 in each stock listed on the New York Stock Exchange in 1926 (or any date since), how much would you have today?

- An accurate standard by which the performance of individual stocks can be judged.

- A valid means of comparing the results of using investment plans of different formulas.

- **Ready With Questions**—Beyond these immediate goals, the people involved see the project as an aid for basic research. In announcing his company's gift, Merrill Lynch Pres. Michael W. McCarthy said: "We are confident that its findings over the years will provide new techniques for analyzing security markets and will constitute a valuable supplement to the work of the investment analysts."

Faculty members at the University of Chicago's Graduate School of Business are already armed with basic questions to throw at the computer. What is the relationship of consumer prices to the price of common stocks? What is the relation of the growth of a company's earnings to the price of its stock? Does business anticipate the market or does the market anticipate business? What stocks are good hedges against inflation or deflation?

- **What's to Be Gained**—Answering



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questions such as these has long occupied the working hours of market analysts. But up to now, their answers have been mere conjectures, says James H. Lorie, associate dean of Chicago's School of Business and head of the project. Lorie says that no one has ever been able to assemble adequate data for analysis that would be more than a conjecture. Some Merrill Lynch executives agree with this view.

Although hopeful that the project will yield usable information about the reasons for price movements in the stock market, University of Chicago computer man Fred Meyer, who will supervise the technical side of the project, has "no real expectation of getting a system of beating the market out of it." He does feel that it will increase the probability of investment success.

• **The Doubters**—Skepticism about the value of the new project has already been expressed by investment analysts. According to the research director of a large Chicago investment firm: "This may be a nice study for schools, which have all the time they wish to discover historical trends in the market, but it won't help me one bit to make a decision as to what stock to buy in today's market."

The head of a national brokerage house states: "I have more information than I can possibly use now. What I need is more time to assimilate the enormous volumes of information already available."

Still another market analyst says: "You don't buy the New York Stock Exchange average, and if you use trends to buy a particular stock, you are likely to get a bum steer."

• **Open House**—Present plans call for open access to the project's information. In drawing up the list of what questions to answer, University of Chicago officials will consider questions submitted by trust companies, other universities, and brokerage houses. Dean Lorie states that memory tapes of the project's information will be made available to other universities.

The University of Chicago has set up a new Center for Research in Market Prices to handle the project. It is hopeful of getting additional financing so that it can extend its studies to other exchanges and run a continuing project on the behavior of financial markets. In fact, some mathematicians say that, considering current rates for computer time and cost of putting data first on punch cards and then on tape, the \$50,000 grant from Merrill Lynch is barely enough to get a broad study of the market started.

Whether its value to market analysis is proven or not, the massive data-gathering operation should provide a wealth of specific quantitative information never before available. **END**



Key to the Far East

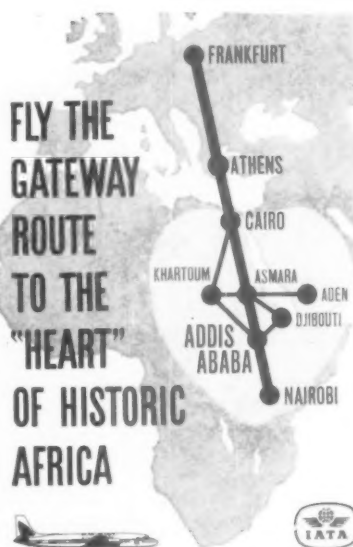
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The Fed Stops Chasing the Joneses

Most of our European allies are in the midst of a business boom that has made their central banks follow the orthodox policy of tightening credit to keep things from getting out of hand. Indirectly, this has created a problem for our own central bank, the Federal Reserve, which is now trying to loosen credit and give a lift to the dragging domestic economy.

The tradition among central bankers is to keep up with the Joneses—to raise rates whenever other countries raise theirs and thus keep money from flowing out. The Federal Reserve kept pace with the Joneses all through 1959, and early this year. Now, to the surprise of a great many people and the consternation of a few, it is going it alone. Under the circumstances this is intelligent monetary management. But it confronts the Fed with some problems that it has not had to deal with for nearly a generation. To make their new policy succeed, the money managers will have to choose their techniques skillfully and stay alert for signs of trouble.

The spread in rates between the U.S. and our allies, which was considerable before the Fed's latest cut in the discount rate, now is extremely wide. Clearly, this encourages those who seek high yields to abandon the New York market for London and Frankfurt.

A large-scale movement of short-term capital out of the U.S. would complicate our already ticklish balance-of-payments situation. Although the boom in Europe has meant increased U.S. exports, most foreign countries have been managing to increase their dollar holdings. And some foreign banks have been turning part of their dollars into gold.

The drain on our gold stock first became a problem for the Fed in the 1958 recession. With the federal government running up a huge deficit, with our balance of payments in an adverse position, and with the Fed itself uttering cries of alarm about the threat of inflation, European central banks began to lose confidence in our currency and started exchanging their dollars for gold.

The Fed met this threat by the orthodox policy of hiking rates and tightening money. But now it feels that the threat of inflation has passed and that there is little danger of a crisis of confidence over the dollar.

Central banks abroad appear to accept this state of affairs—at least for the moment. They recognize that if they began a run on our gold stocks, it would invite retaliatory measures that would have vast political, as well as economic, effects. So, while there has been some stepup in gold purchases, it has not been a flood.

If the Fed can continue to count on this kind of support from foreign bankers, it will be able to go ahead with a credit policy adapted to the needs of the domestic economy, thereby demonstrating that the fear of a run on gold has not robbed it of flexibility in policymaking. So far, at least, it seems to have been acting without such inhibitions.

It is always difficult, of course, to judge just when a shift in credit policy should be made—and how far any shift should go. Already, some critics charge the Fed with being too little and too late. However, the money managers began backing away from tight money last March, when most businessmen and most Administration officials were still talking in boom terms.

Choice of Methods

But while the Fed seems to be alert to changing conditions, its flexibility in policy is accompanied by a peculiar inflexibility in technique. In fact, the Fed is demonstrating ultra orthodoxy in its tactics. For by sticking to their old policy of concentrating all open market operations on short-term Treasury bills, the money managers are serving to exaggerate the decline in short-term rates. This is the area that attracts the mercurial and fickle investor, who is merely seeking the highest yield wherever it may be. By its undue concentration on bills, the Fed is actually stimulating the flight from the dollar.

This is not the Fed's objective. But as long as it persists so stubbornly in its policy of dealing almost exclusively in bills, it cannot help but flirt with the threat of a gold rush. To depend on the gentlemanly restraint of foreign central banks is hardly a firm guarantee, for history shows that central bankers frequently forget their manners.

It is difficult to believe that the Fed would lower its discount rate without taking some stronger safeguards against a gold rush—safeguards that would not imperil the well-being of the domestic economy. The logical step would be to drop the "bills only" doctrine, and thus acquire a flexibility in open market operations that would prevent short-term rates from declining too steeply while seeing to it that intermediate and long-term rates are more directly influenced, which would encourage borrowing.

There is no reason for the Fed to make any public announcement of a change in its open market techniques. But the logic of the situation demands such a change, and we suspect that the Fed will make it one of these days. Certainly its present easier policy suggests that it will not stand by a doctrine too long that will put it—and the nation—in jeopardy.



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